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*The Commonwealth of Massachusetts*

**1989 ABSTRACT OF  
THE FINANCIAL REPORT  
OF THE COMPTROLLER**

**For The Fiscal Year Ended June 30, 1989**

**WILLIAM KILMARTIN,**  
*Comptroller.*

**THIS FINANCIAL REPORT**  
IS SUBMITTED TO THE  
**GENERAL COURT**  
IN COMPLIANCE WITH  
**SECTION 4 AND SECTION 12**  
**OF CHAPTER 7A**  
OF THE  
**GENERAL LAWS.**

**DETAILED INFORMATION**  
**RELATING TO THESE STATEMENTS**  
WILL BE CONTAINED IN  
**PUBLIC DOCUMENT 140**  
WHICH WILL BE FILED AT A LATER DATE  
WITH THE  
**SECRETARY OF STATE**  
AS REQUIRED.



**COMMONWEALTH  
OF  
MASSACHUSETTS**

**Executive Office for Administration and Finance  
Office of the Comptroller**

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 1989**

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COMMONWEALTH OF MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 1989

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COMMONWEALTH  
OF  
MASSACHUSETTS

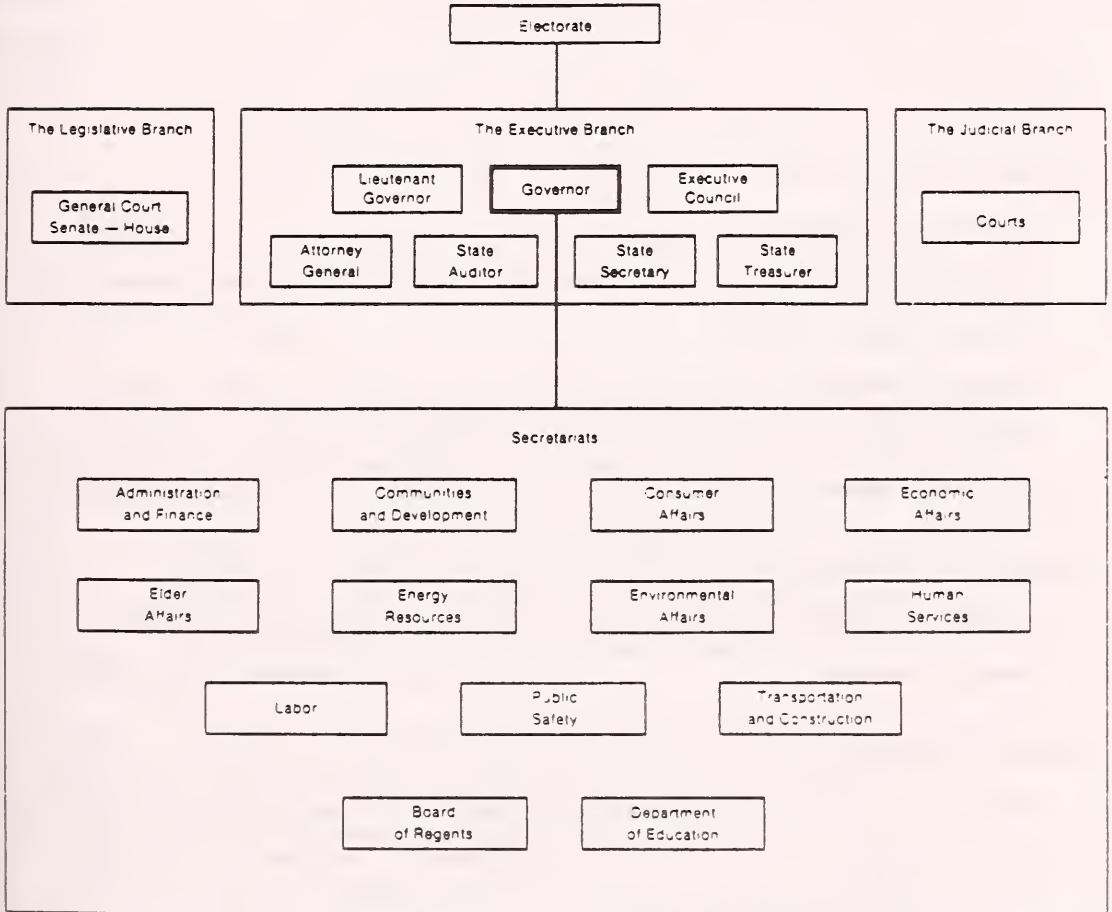
Introductory Section

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# The Commonwealth of Massachusetts



COMMONWEALTH OF MASSACHUSETTSCOMMONWEALTH OFFICERS

## Constitutional Officers

Michael S. Dukakis	Governor
Evelyn F. Murphy	Lieutenant Governor
Michael Joseph Connolly	Secretary of State
James M. Shannon	Attorney General
Robert Q. Crane	Treasurer and Receiver-General
A. Joseph DeNucci	Auditor

## Legislative Officers

William M. Bulger	President of the Senate
George Keverian	Speaker of the House

## Judicial Officers

Edward F. Hennessey	Chief Justice, Supreme Judicial Court
Paul J. Liacos	Chief Justice, Supreme Judicial Court
John M. Greaney	Chief Justice, Appeals Court
Arthur M. Mason	Chief Administrative Justice, Trial Court





*The Commonwealth of Massachusetts*  
*Office of the Comptroller*  
*One Ashburton Place*  
*Boston, Massachusetts 02108*

WILLIAM KILMARTIN  
COMPTROLLER

(617) 727-5000

January 10, 1990

To the Citizens of the Commonwealth of Massachusetts,  
Governor Michael S. Dukakis and Honorable Members  
of the General Court

In accordance with Section 12 of Chapter 7A of the General Laws, the Office of the Comptroller transmits this Comprehensive Annual Financial Report for the fiscal year ended June 30, 1989 (FY89). The publication of this report represents the conclusion of financial activity for FY89.

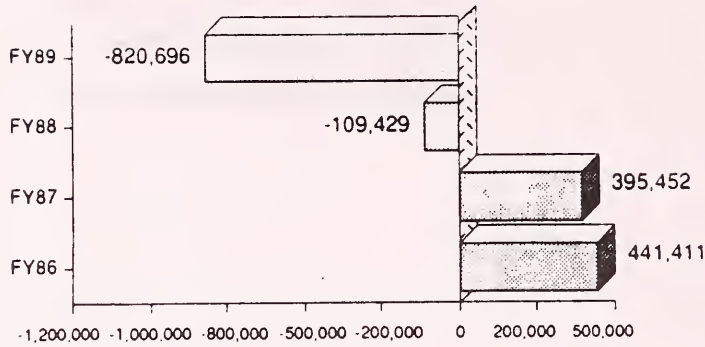
The report is presented in four sections: the Introduction which contains the Comptroller's transmittal letter; the Financial Section prepared in accordance with generally accepted accounting principles (GAAP) with the independent auditor's report; the Financial Section prepared in accordance with state finance law (budgetary basis) with the independent auditor's report; and a Statistical Section.

The report is prepared to conform to generally accepted accounting principles as established by the Governmental Accounting Standards Board, the professional standards of the American Institute of Certified Public Accountants, the recommendations of the Government Finance Officers Association, and the requirements of state finance law.

The Office of the Comptroller is responsible for the presentation of the financial statements of the Commonwealth. This report includes all the necessary information for the reader to obtain a comprehensive understanding of the Commonwealth's financial position and the results of its operations for FY89.

The financial position of the Commonwealth, when measured on both a GAAP and a budgetary basis of accounting, is unfavorable. The fund balance in the General Fund, when measured according to generally accepted accounting principles, indicated a deficit balance in FY88 and FY89.

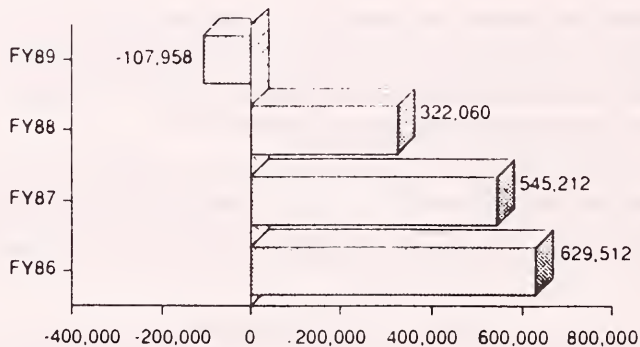
GENERAL FUND BALANCE - GAAP BASIS  
(in thousands)



Under the budgetary basis of accounting, which is used for developing the state budget and controlling daily activities, the General Fund also indicated a deficit balance in FY89.

At the beginning of FY90, the Legislature enacted a temporary tax increase and authorized maximum revenue anticipation borrowings of \$475 million (m) to resolve the General, Highway and the Local Aid Funds combined undesignated fund balances/(deficits) which totaled \$466m. This legislation also authorized the payment in FY90 of \$488m in Medicaid expenses pertaining to prior-year service periods.

GENERAL FUND BALANCE - BUDGETARY BASIS  
(in thousands)



INDEPENDENT AUDIT

The firm of Deloitte & Touche, together with the subcontractors, Daniel Dennis & Company, Margaret Carr, CPA, and Susan Perna-Damon, CPA, and in association with the Office of the State Auditor, have performed an independent audit of the Commonwealth's General Purpose Financial Statements. This is the fourth consecutive year that the Commonwealth's financial statements have received an opinion from independent auditors, as presented on both a GAAP basis and a budgetary basis of accounting. These opinions are presented in the Financial Sections of this report.

The audit opinion on the general purpose financial statements is a component of the state single audit. Other elements of the Commonwealth's comprehensive single audit include a Report on Compliance and Internal Control regarding programs which receive federal financial participation, a Report on Compliance and Internal Control on programs which do not receive federal financial assistance (state funding only), and a detailed listing of federal funding in the Schedule of Federal Financial Assistance. These related audit reports will be published in the near future.

INTERNAL CONTROL ENVIRONMENT

The objectives of the Commonwealth's internal control systems are to provide management with reasonable assurance that:

- . financial and other resources are safeguarded against losses from unauthorized use or disposition;
- . encumbrances, payments and other transactions are executed in accordance with management authorizations;
- . financial and statistical records and reports are accurate and reliable;
- . applicable laws, regulations, and policies are adhered to; and,
- . resources are efficiently and effectively managed.

It is the responsibility of department managers to develop and maintain an effective internal control system in their respective departments.

The Office of the Comptroller, in joint ventures with the Office of the State Auditor, has taken several actions to assist departments in their development of internal control systems. A series of internal control training programs was delivered to hundreds of departments' managers, and an Internal Control Guide was written and distributed to departments. At the end of FY89, staff from the Office of the State Auditor visited 85 departments to assure that revenue for FY89 was being properly differentiated from revenue for FY90 and that departments were properly following Comptroller directives. In addition, at the end of FY89, the Office of the State Auditor visited 50 departments to assure the Comptroller's instructions were being followed and that encumbrances and advances were being charged to the correct fiscal year. Through these coordinated efforts, the importance of proper internal control procedures was reinforced to department employees.

The Office of the Comptroller has initiated an aggressive follow-up to findings from the state single audit. This follow-up activity is designed to ensure that corrective action plans developed by departments are effective and that bona fide efforts are taken to resolve noncompliance issues or weaknesses in the internal control systems. Significant progress has been made in implementing the corrective action plans. Approximately one-third of the single audit findings from inception have been resolved and not repeated.

#### REPORTING ENTITY

The General Purpose Financial Statements - Budgetary Basis include the 86 funds of the Commonwealth, incorporating the fiscal activities of the 170 state departments, agencies, boards, commissions and constitutional offices. These 170 state departments conduct their daily financial business in the state accounting system.

The General Purpose Financial Statements - GAAP Basis include an additional 16 authorities as Enterprise Funds and the financial operations of the trust funds in Higher Education. These 16 authorities and the trust funds meet the GAAP criteria for incorporation into the governmental reporting entity.

#### ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The Office of the Comptroller operates the Massachusetts Management Accounting and Reporting System (MMARS), the centralized state accounting system. This accounting system is used by all departments to control and account for activity under the budgetary basis of accounting. The financial operations of the 16 authorities and the Higher Education trust funds are accounted for through independent accounting systems. Using total assets, GAAP basis, as a measure, approximately three-fourths of the entire state government reporting entity is accounted for in MMARS.



Budgetary control is enforced through MMARS. The Legislature authorizes the level of spending through annual and supplemental appropriations. After notification by the Fiscal Affairs Division of the Executive Office for Administration and Finance, these appropriations are posted in MMARS. According to state finance law, the Executive Office for Administration and Finance (the Budget Bureau), may also reduce these appropriations in certain circumstances. The Office of the Comptroller controls subsequent obligation and expenditure activity to ensure that the appropriation is not exceeded. As an additional control, certain transactions, such as service contracts, are individually regulated by the Comptroller and other oversight departments for compliance with other requirements.

MMARS is designed to satisfy all requirements under the budgetary basis of accounting. In addition, MMARS accounts for most transactions (special accruals) which are needed for GAAP. Any additional information necessary for the GAAP financial statements is provided separately by the departments and the authorities and is compiled manually.

The differences between the budgetary basis of accounting and the GAAP basis may be characterized as follows:

- . basis difference, that is, GAAP uses accruals and the budgetary is essentially cash,
- . entity differences, that is, the GAAP reporting entity includes the 16 authorities and the trust funds in Higher Education that are not part of the state budget and, thus, not in MMARS.

The reader is directed to Note 3 in the GAAP Notes to the Financial Statements for a reconciliation between the GAAP basis financial statements and the budgetary basis financial statements of the General Fund and certain Special Revenue Funds which are budgeted (subject to appropriation).

#### GENERAL GOVERNMENT OPERATIONS

The Commonwealth organizes its 86 funds into categories as stipulated by the Governmental Accounting Standards Board. The three major categories are the Governmental Funds, the Proprietary Funds, and the Fiduciary Funds which include the Trust, Pension and Agency Funds. The Governmental Fund Type is further broken down into the General Fund, several Special Revenue Funds which are appropriated in the annual budget, many Special Revenue Funds which are authorized by state finance law but not appropriated in the annual budget, Debt Service Funds, and Capital Projects Funds.

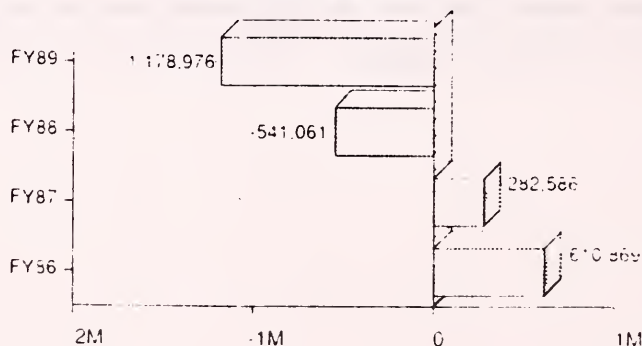
The Governmental Fund Type is the most complete indicator of government financial operations. The reader is referred to the Financial Section for additional detail on individual funds.

**GOVERNMENTAL FUNDS OPERATIONS - GAAP BASIS**  
(in thousands)

<u>Revenues and sources</u>	<u>FY89</u>	<u>FY88</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Taxes	\$ 8,694,887	\$ 8,032,823	\$ 662,064	8%
Federal grants and reimbursements	2,986,658	2,633,068	353,590	13%
Departmental and other revenues	2,720,985	2,500,047	220,938	9%
Interfund transfers and other sources	<u>3,043,521</u>	<u>2,024,084</u>	<u>1,019,437</u>	<u>50%</u>
Total revenues and other sources	<u>\$17,446,051</u>	<u>\$15,190,022</u>	<u>\$2,256,029</u>	<u>15%</u>
<u>Expenditures and uses</u>	<u>FY89</u>	<u>FY88</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Legislative, judicial, executive and constitutional offices and independent commissions	\$ 2,615,974	\$ 2,670,966	(\$ 54,992)	( 2%)
Executive secretariats	11,981,081	10,359,753	1,621,328	16%
Pension	662,922	600,200	62,722	10%
Debt service	652,928	568,465	84,463	15%
Interfund transfers and other uses	<u>2,171,061</u>	<u>1,876,085</u>	<u>294,976</u>	<u>16%</u>
Total expenditures and other uses	<u>\$18,083,966</u>	<u>\$16,075,469</u>	<u>\$2,008,497</u>	<u>12%</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>(\$ 637,915)</u>	<u>(\$ 885,447)</u>		

When analyzed on a GAAP basis, it is apparent that a significant deficiency of revenues and sources over expenditures and uses occurred in FY88, and again in FY89, resulting in substantial fund deficits.

**GOVERNMENTAL FUND BALANCES - GAAP BASIS**  
(in thousands)

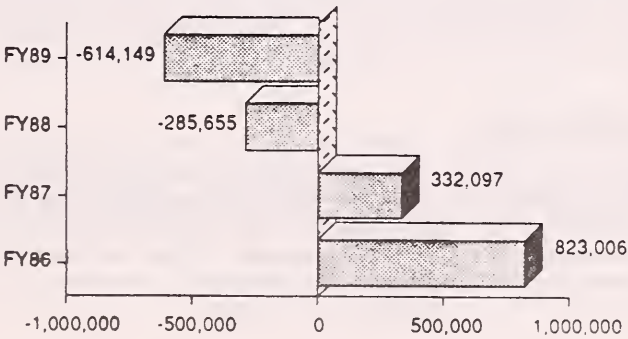


When viewed on the budgetary basis of accounting, the numbers are different, but the trend is similar.

GOVERNMENTAL FUNDS OPERATIONS - BUDGETARY BASIS  
(in thousands)

<u>Revenues and other sources</u>	<u>FY89</u>	<u>FY88</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Taxes	\$ 8,859,113	\$ 8,274,863	\$ 584,250	7%
Federal grants and reimbursements	2,666,811	2,425,461	241,350	10%
Departmental and other revenues	2,592,487	2,390,692	201,795	8%
Interfund transfers and other sources	<u>2,986,243</u>	<u>2,089,201</u>	<u>897,042</u>	<u>43%</u>
Total revenues and other sources	<u>\$17,104,654</u>	<u>\$15,180,217</u>	<u>\$1,924,437</u>	<u>13%</u>
<u>Expenditures and uses</u>	<u>FY89</u>	<u>FY88</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Legislative, judicial, executive constitutional offices and independent commissions	\$ 2,633,532	\$ 2,475,038	\$ 158,494	6%
Executive secretariats	11,947,494	10,696,730	1,250,764	12%
Pension	659,677	600,200	59,477	10%
Debt service	652,928	568,465	84,463	15%
Interfund transfers and other uses	<u>1,566,517</u>	<u>1,430,536</u>	<u>135,981</u>	<u>10%</u>
Total expenditures and other uses	<u>\$17,460,148</u>	<u>\$15,770,969</u>	<u>\$1,689,179</u>	<u>11%</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>(\$ 355,494)</u>	<u>(\$ 590,752)</u>		

GOVERNMENTAL FUND BALANCES - BUDGETARY BASIS  
(in thousands)



GOVERNMENTAL FUNDS - BUDGETARY BASIS ANALYSIS

Within the category of taxes, there was a 7% increase. Much of this increase is attributable to changes in tax law and tax administration. For a detailed examination of changes in various tax sources, the reader is referred to the Report on Tax Collections that is separately published by the Department of Revenue. The increase of 10% in federal reimbursements has kept pace with the increase in state expenditures in welfare and highway construction programs. The 8% increase in departmental revenues is attributable to increased fees collected by the Registry of Motor Vehicles and other departments and increased lottery profits. Within the category of interfund transfers and other sources, the 43% increase is almost entirely explained by the increased volume of proceeds from the issuance of long term bonds for capital projects; this major increase in FY89 was planned to catch up on bonds that could have been issued in prior years.

The Commonwealth has two state tax cap laws; each law establishes a formula to determine if the cap has been exceeded and provides for disposition of any excess collections. In FY89, the amount of actual state tax collections was less than the allowable tax collections by the amount of \$833.4m under the Chapter 555 tax cap and \$293.9m under the Chapter 488 tax cap. Since the amount of actual collections was substantially below the tax caps, no additional refund or other activity was warranted.

On the expenditure side of governmental operations, the 15% increase in debt service is the result of the larger volume of bonds issued for capital projects. Three factors account for the major increases in the category of executive secretariats: local aid to cities and towns increased, the capital projects increased, and there was significant growth in state operated programs such as human services. Pensions increased 10% as the Commonwealth continued increased funding to the pension reserves as required by the pension reform laws. The 6% increase within the category of elected and constitutional offices was mostly attributable to increased local aid to cities and towns administered by those offices. The net 10% increase in the category of interfund transfers and other uses is primarily attributed to debt service transfers and the accounting treatment for the refunding of long term bonds, partially offset by the elimination of transfers for fund deficit support. In prior years, the General Fund had a sufficient balance to transfer amounts to resolve deficits in other funds; this did not occur in FY89.

PROPRIETARY FUNDS OPERATIONS

As a fund group, the 16 authorities reported an annual increase in retained earnings of \$8.8m so that total retained earnings changed from \$206.2m to \$215m. Within the group, the Massachusetts Bay Transportation Authority had a decrease, the Massachusetts Convention Center Authority had a minor change, the four Higher Education Building Authorities had a substantial increase, and the other nine authorities also had increases.



PROPRIETARY FUNDS RETAINED EARNINGS - GAAP BASIS  
(in thousands)

FY86	\$114,366
FY87	190,609
FY88	206,178
FY89	214,991

The reader is referred to the Financial Section and to Note 10 in the GAAP Notes to General Purpose Financial Statements for additional detail on individual authorities.

FIDUCIARY FUNDS OPERATIONS

Within the Fiduciary Fund Type, there are the Expendable Trusts, Nonexpendable Trusts, Agency, and Pension Trust Funds.

On the GAAP basis of accounting, the Expendable Trust Funds ended FY89 with a \$1.4 billion (b) fund balance. This is mostly attributable to the substantial balance of \$1.2b that has accumulated in the Unemployment Compensation Fund.

The Nonexpendable Trust Funds and the Agency Funds include assets held with restrictions and assets held temporarily on behalf of other parties. For these funds, the Commonwealth is acting in a fiduciary capacity to manage financial operations pursuant to restrictions placed by other parties or on behalf of other parties.

The Pension Trust Funds include the Commonwealth's financial responsibility for the payment of pension benefits to state employees and teachers of cities and towns. The systems were originally designed as "pay as you go," meaning that amounts were provided to pay current-year benefits with no provision made to fund the pension benefit liability associated with current employees. In FY88, the Commonwealth enacted a pension reform law which included among other items a requirement for the funding of the unfunded pension liability. A 40-year funding schedule was established, which is sufficient to meet all current expenses and accumulate assets to eliminate the unfunded pension liability.

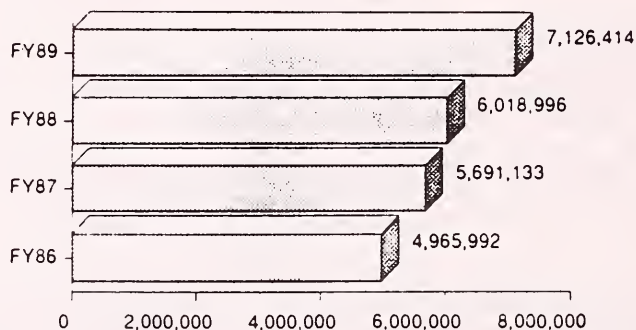
A significant aspect of the 40-year funding strategy requires that assets be accumulated for investment, with no withdrawals, for the next ten years. A periodic monitoring of the assets and comparison to the actuarially computed liability is called for by the law to determine whether the funding goals are being met.



It is the responsibility of the Public Employee Retirement Administration, based upon information provided by the State Retirement Board, the Teachers' Retirement Board, and the Pension Reserves Investment Management Board, to complete actuarial updates. Since the requisite underlying information was not sufficient, an actuarial update to the pension liability is not available in FY89.

The combined fund balance of the State Employees' Annuities Funds, the Teachers' Annuities Fund, and the Pension Reserves Investment Trust Fund indicates progress in the accumulation of assets.

**PENSION TRUST FUND BALANCES - GAAP BASIS**  
(in thousands)



Additional information on the Pension Trust Funds is presented in the Financial Section of this report and in Note 11 in the GAAP Notes to General Purpose Financial Statements.

**CASH AND INVESTMENTS**

Cash and investments are controlled by the State Treasurer pursuant to the requirements of state finance law. Each state department promptly transmits to the State Treasurer all cash receipts. Weekly warrants for disbursements are prepared by the Comptroller, reviewed and approved by the Governor's Council, and checks are issued by the State Treasurer. In addition to the weekly warrant process, the State Treasurer is directed to issue certain other disbursements such as debt service and local aid distributions.

A system of bank account sweeps and lockboxes is employed by the Treasury to maximize daily cash balances. The State Treasurer manages this money in pooled investment funds to maximize interest earnings. The Treasurer invests free cash from its general accounts in short term securities and other investments. The investment policies of the Commonwealth require full collateralization and/or delivery in the Commonwealth's name to its agent. This policy results in relatively no risk. A complete disclosure of cash and investments is presented in Note 5 in the GAAP Notes to General Purpose Financial Statements.

The average daily investment balance for FY89 was almost \$334m. The interest income earned for the year was \$9.5m in the General Fund. Additional interest income of \$19m was earned in the Expendable Trust and other funds.

In FY98, the Commonwealth started to experience cash flow problems that required the use of short term borrowing. As financial performance continued to be unfavorable in FY89, the management of governmental cash flows became a matter of tremendous importance. To assist the State Treasurer's Office in the accomplishment of its cash management responsibilities, and to assure the efficient exchange of information, a group has been formed which is composed of the State Treasurer's Office, the State Comptroller, the Budget Bureau, and the Department of Revenue. The Treasury creates the governmental cash flow plans based upon the advice and assistance of these other offices. The management of taxes and other inflows, the warrants and other outflows, and short term and long term borrowing is measured against the plan. The cash flow plan is updated as estimates and projections materialize into facts.

The difficulties experienced in cash flows are a manifestation of the unfavorable financial performance of the Commonwealth. Until such time as the governmental funds accomplish a positive fund balance, the management of the cash flow will necessitate short term borrowing.

#### DEBT

For several years, the Commonwealth has been increasing its investment in capital assets to enhance and protect the infrastructure of Massachusetts. This trend is evidenced by increases in capital appropriations and related bond authorizations by the Legislature. At the end of FY89, the amount of capital appropriations not yet expended was \$7.6b; also at year end, the amount of bonds authorized but not yet issued was \$6.3b.

The following table sets forth the Commonwealth's long term bond indebtedness for the last five years and the ratio of such indebtedness to certain economic indicators.

<u>FY</u>	<u>Authorized not yet issued</u>	<u>Outstanding debt (net of discount)</u>	<u>Ratio to est. full value of real estate</u>	<u>Ratio to personal income</u>
89	\$6.3b	\$5.3b	1.41%	4.16%
88	7.4	4.1	1.09%	3.51%
87	4.3	3.8	1.73%	3.59%
86	3.7	3.7	1.64%	3.82%
85	2.5	3.4	2.30%	3.98%

Approximately 35% of the principal amount of these bonds is scheduled for retirement within five years and approximately 65% within ten years.

The Commonwealth ended FY88 with general obligation bonds outstanding, including discount and related mini bonds, of \$4.4b. During FY89, the Commonwealth issued \$1.4b in general obligation bonds and \$40.8m in mini bonds, and in FY89 the Commonwealth retired \$282m in general obligation bonds and \$17.8m in mini bonds. In addition the Commonwealth issued \$301m in refunding bonds.

During FY89, the Commonwealth's credit rating has been revised several times. As financial performance continued to be unfavorable, the credit rating was lowered to AA- by Standard and Poor's and A by Moody's Investors Services by the end of FY89. Subsequent lowerings to the credit rating have continued through the first six months of FY90. The additional interest costs associated with a lower credit rating are significant. As discussed previously in the section on cash flows, future improvement or change to the credit rating will be dependent upon the resolution of the fund deficits in the governmental funds.

In addition to long term borrowing for the acquisition of capital assets, the Commonwealth also engages in short term borrowing to support governmental cash flow. Under state finance law, short term borrowing may be made by the State Treasurer with the approval of the Governor, with debt instruments being countersigned by the State Comptroller.

During FY89, there were several types of short term borrowing activities, including revenue anticipation notes, commercial paper borrowing, lines of credit, and an overdraft credit facility with the bank. With the exception of \$107m in notes associated with the Commonwealth's financial support of the Massachusetts Bay Transportation Authority, all short term borrowing was repaid by the end of the fiscal year, as required by state finance law.

A third type of debt, separate from the traditional long term general obligation bonds and short term cash flow borrowings, consists of multi-year lease/purchase agreements financed by Certificates of Participation. Sometimes referred to as tax exempt lease purchase (TELP), this is a method to acquire certain assets, such as computer equipment and motor vehicles, under favorable terms. The Commonwealth continued utilization of this form of financing in FY89.

For additional details on debt, the reader is referred to Notes 7 and 8 in the GAAP Notes to General Purpose Financial Statements.

RISK MANAGEMENT

The Commonwealth has a policy of self-insurance. The Attorney General's Office defends the Commonwealth in lawsuits which may arise in the ordinary course of operations. Such lawsuits may involve claims for property damage and personal injury, breach of contract, condemnation proceedings, and other alleged violations of law. In FY89, \$14.7m was appropriated and expended to resolve such claims. Additional amounts for the payment of claims and judgments were directly expended from existing appropriations.

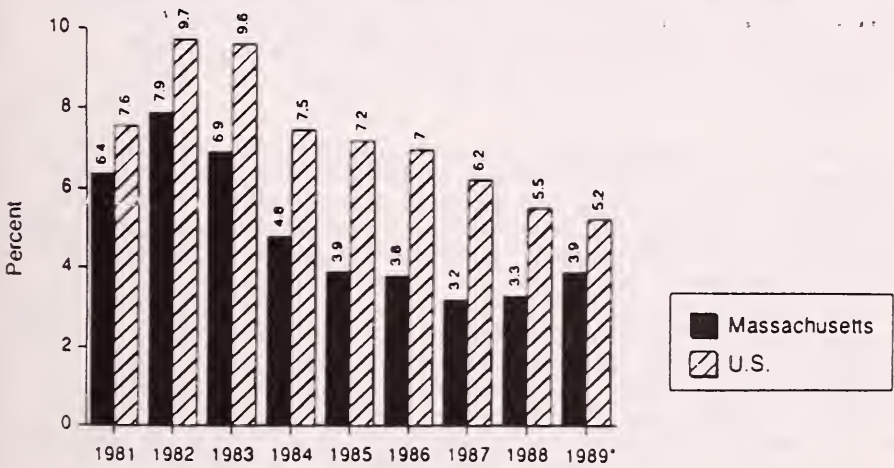
Under the GAAP basis of accounting, an accrual for \$126m in the General Fund has been included, based on an evaluation by the Attorney General of cases in which it is probable or reasonably possible that a loss will be incurred and a judgment rendered against the Commonwealth. Major lawsuits considered by the Attorney General to estimate this liability include Boston Water and Sewer Commission vs. Metropolitan District Commission (alleges overassessment of FY81-FY84 water and sewer charges), O'Sullivan vs. Dukakis (litigation to compel changes at Bridgewater State Hospital), Digital vs. Department of Revenue (a tax appeal). A variety of smaller cases is also included.

ECONOMIC AND FINANCIAL PROSPECTS

The regional and national economic forecasts by various parties, while disagreeing in many specific details, all seem to share a common assessment that economic growth will slow down during 1990. Having established a strong foundation through critical public investment, Massachusetts is favorably positioned as the challenges of the new decade materialize.

One key indicator of economic prospects is the unemployment rate. The Massachusetts unemployment rate has compared favorably with other industrial states and the United States average over the past decade.

UNEMPLOYMENT RATE - MASSACHUSETTS AND UNITED STATES

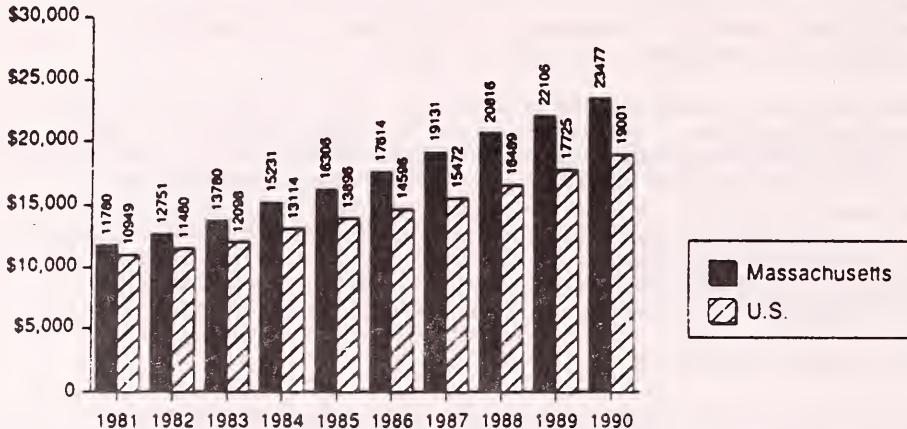


\*1989 numbers are estimates



When viewed from the perspective of per capita income, perhaps the single best measure of individual well being in the economy, personal income for Massachusetts residents, again compares favorably to the U.S. average.

PER CAPITA INCOME - MASSACHUSETTS AND UNITED STATES



NOTE: 1989 and 1990 numbers are estimates.

The FY90 budget is currently the focus of intense review. The original General Appropriations Act established by the Legislature was modified through vetoes and withheld allotments of \$491m by the Governor. These actions were taken because the Governor believed that revenue estimates relied upon by the Legislature were unrealistically optimistic, and because certain nondiscretionary spending such as debt service and entitlement programs were not adequately budgeted. These spending reductions, coupled with a vigorous campaign to increase nontax revenues, were considered sufficient to balance the budget-at that time to approximately a zero balance. This meant that no cushion or reserves existed in the budget balancing equation.

Within three months of these actions, it became apparent that adverse changes, composed mostly of lowered revenue projections and some additional increases in nondiscretionary spending, prompted another executive branch review of the budget. Another round of revenue and spending measures was set forth by the Governor; some of these actions were implemented immediately under existing administrative authority, and others were filed for consideration by the Legislature. While the Legislature was evaluating these proposals, yet another set of adverse changes, again composed mostly of decreased revenue projections, materialized. Since there was no budget balancing cushion to start FY90, this immediately engendered a potentially unbalanced budget. At the time of this report, the Legislature has sent to the Governor the results of its deliberations, which would decrease spending and increase revenues to address approximately \$300m of the projected budgetary imbalance.



With all of these changes, there still remains the prospect of an unresolved budgetary deficit of approximately \$500m by the end of FY90. The budgetary fund deficit at the end of FY89 was addressed through the enactment of a temporary tax increase, so the opening fund balance in the budgetary funds for FY90 was zero. Thus an operating loss of \$500m in FY90 will directly result in another fund deficit in FY90. Having taken a number of spending cuts and other measures, a variety of tax proposals is now being considered by the Legislature. At the time of this report, it is unclear what package of remedial actions, of either a revenue increase or spending decrease nature, will be enacted to resolve the projected \$500m budgetary imbalance.

While these ambiguities remain on the FY90 budget, a zero based approach is being implemented to develop the FY91 budget recommendation. Under this approach, one set of budget recommendations being analyzed assumes no revenue increases and thus documents the implications of decreased spending projected into FY91; the other set of budget recommendations assumes a revenue increase in FY90 that will extend into FY91 and projects spending levels accordingly. Under both scenarios the outcome is a balanced budget in FY91.

At the time of this report the financial prospects for the remainder of FY90 are not clear. However, it is noted that, when faced with difficult budgetary situations, the Commonwealth has consistently managed to address the issues and restore financial stability.

#### SIGNIFICANT ACCOMPLISHMENTS

Although the financial performance of the Commonwealth generally was unfavorable, there were a number of significant accomplishments in FY89.

Many improvements to fundamental financial management practices have been made. The statewide accounting system, MMARS, was in its third year of operation, and all transition and implementation issues have been successfully resolved. The result is that the 170 state departments are better managing and controlling their fiscal business on a day-to-day basis. The prompt payment law has been implemented throughout state government. Five years ago, the average turnaround time for vendor payments was 70 days; in FY89, payments were managed so that average turnaround time was 28 days. Continued improvements in single audit activities were implemented. After a three-year contract, the state single audit was competitively bid and a five-year contract has been awarded to Deloitte & Touche. Also, as part of this new five-year contract, an expanded role for the Office of the State Auditor has been implemented. By efficiently coordinating the resources of the State Auditor with the independent public accountants, audit coverage has been expanded while simultaneously saving hundreds of thousands of dollars in potential audit fees each year. The internal control campaign with departments, initiated in FY88, continued very successfully in FY89. Hundreds of state executives and managers were trained in the principles and practices necessary to assure a strong internal control environment in their department locations. In addition, during FY89, the Comptroller's Office promulgated and implemented new regulations on the topics of court judgments/settlements and intergovernmental activities. As a result, court judgments are now centrally administered in a more efficient way; also all forms of intergovernmental activity between state departments are now effectively controlled pursuant to new regulations.

At the start of FY90, the Comptroller's Office has begun several new initiatives. These activities include a statewide program to improve nontax revenue management and collections, a revision to basic expense coding used to control and report many aspects of fiscal management (the old object codes have not been systematically revised for over forty years), and implementation of a fixed assets subsystem to MMARS.

#### RECOMMENDATIONS AND CONCLUSIONS

The FY89 has been a dramatic year. Based upon these experiences and observations, the Office of the Comptroller recommends consideration of three proposals intended to strengthen financial management.

- o The Commonwealth should modify the budgetary process so that it is conducted according to generally accepted accounting principles. For the past several years, the state has been gradually modifying its budgetary principles to better conform with GAAP. For example, the measurement of payroll expenses was changed to a GAAP basis per statute, to be effective at the end of FY89. Making the budgetary basis closer to GAAP will promote the identification of underlying financial trends in a more accurate and timely way. This information will encourage a better informed budget debate and budgetary decision making. Several other states have adopted GAAP based budgets, and this proposal should be evaluated for application in Massachusetts.
- o The focus of attention among state financial executives, the Legislature, and the public traditionally has been riveted to the budgeted funds. This focus should be expanded to embrace all governmental funds. It is true that the budgeted funds account for approximately 75% of governmental operations. However, it has been the experience of the Comptroller's Office that many do not appreciate the importance of the other governmental funds as they relate to the government's overall financial condition. The operations of the capital funds and nonbudgeted special revenue funds (for example, the federal grants fund) should be mainstreamed into a total concept of government finance. Much work has already been done by the Executive Office for Administration and Finance and other parties to encourage this broader concept. Consolidating the 86 funds into a smaller and more manageable number will facilitate an easier understanding of the numbers. The Comptroller's Office recommends that the proposal for GAAP based budgeting be joined with this proposal for a broader concept of government finance.
- o The financial community considers it prudent to retain 2-1/2% to 5% of annual revenues in ending fund balance. Applied to the budgeted funds, this benchmark means that the Commonwealth of Massachusetts should plan to end the fiscal year with a fund balance ranging from \$300m to \$600m. It should be the stated goal of the budget debates to properly evaluate revenue and spending to accomplish this ending

position. Reserves need to be accumulated into the Stabilization Fund. While this goal may take a few years to accomplish, the benefits would be significant in that a cushion would be provided to offset adverse budgetary changes in a current year, the cash flow of the state would be advantageous, and confidence would be created in the financial community and credit rating agencies. The experiences of the past several years have demonstrated that the greatest weakness in the current budgetary process is not on the spending side but, rather, is on the estimating and budgeting of revenues. A revision to current state finance law that requires an explicit publication of revenue budgets concomitant with spending budgets will probably be necessary.

This report demonstrates the continued commitment of the Office of the Comptroller to promote and improve the financial management of State Government.

Having served as Comptroller for several years, my friend and mentor Ellen O'Connor accepted the appointment to the position of State Budget Director. She has left behind an organization of professionals who are highly motivated and dedicated to the pursuit of excellence in financial management. I am grateful to the Secretary of Administration and Finance for recommending me, and to the Governor for appointing me, as State Comptroller. As I close this first annual report prepared under my tenure, I express my sincere appreciation to the many individuals whose efforts have resulted in this report, and to Ellen O'Connor; it is in your honor that this report is dedicated.

Respectfully submitted,

*William Kilmartin*

William Kilmartin  
Comptroller



COMMONWEALTH  
OF  
MASSACHUSETTS

Financial Section: GAAP Basis

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**Deloitte &  
Touche**

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Boston, Massachusetts 02110-1617  
Telephone (617) 426-5151

Independent Auditor's Report

Mr. William Kilmartin, Comptroller  
The Commonwealth of Massachusetts

We have audited the accompanying general purpose financial statements of the Commonwealth of Massachusetts as of June 30, 1989, and for the year then ended as listed in the table of contents under the financial section - GAAP basis. These general purpose financial statements are the responsibility of the Commonwealth of Massachusetts' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Pension Reserve Investment Trust, an investment vehicle for certain of the Commonwealth of Massachusetts' Pension Trust Funds, the financial statements of which reflect 22 and 18 percent, respectively, of the assets and revenues of the Trust and Agency Funds Type. We did not audit the financial statements of the entities which comprise the Enterprise Funds Type. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Enterprise and Trust and Agency Funds referred to above, is based solely on the reports of the other auditors.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to audit the financial data presented in the General Fixed Asset Account Group. As described in Note 6, the Commonwealth of Massachusetts does not maintain its general fixed assets accounting systems and records in a manner that meets the standards required by generally accepted accounting principles.

Page Two

As discussed in Note 11, pension expenditures in the General and Special Revenue Funds representing the Commonwealth of Massachusetts' retirement contributions, are determined using a method not in accordance with generally accepted accounting principles. The effects of this method on expenditures under generally accepted accounting principles are not determinable. As also discussed in Note 11, the financial statements do not disclose certain information on the Commonwealth of Massachusetts' pension systems which in our opinion is required by generally accepted accounting principles.

In our opinion, based upon our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the General Fixed Asset Account Group, and except for the effect of not recording pension expenditures or the disclosures of certain pension plan information as discussed in the third and fourth paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Massachusetts as of June 30, 1989, and the results of its operations and changes in financial position of its Enterprise and Nonexpendable and Pension Trusts Funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents under the financial section - GAAP basis are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effect of not recording pension expenditures in conformity with generally accepted accounting principles, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the statistical section of this report and, accordingly, we express no opinion on such data.

*Deloitte & Touche*

Certified Public Accountants  
December 28, 1989



COMMONWEALTH OF MASSACHUSETTS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1989

(Amounts in thousands)

ASSETS	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Totals	
	General			Enterprise		Trust		General			(Memorandum Only)	
	Special Revenue	Debt Service	Capital Projects			and Agency		Fixed Assets	Long Term Obligations		1989	1988
Cash and short term investments	\$ 131,691	\$470,017	\$38,048	\$ -	\$ 145,611	\$ 1,117,332	\$ -	\$ -	\$ -	\$ 1,902,699	\$ 1,943,183	
Amount on deposit with U.S. Treasury	-	-	-	-	-	1,102,728	-	-	-	1,102,728	1,145,824	
Investments	-	-	-	-	151,254	7,405,338	-	-	-	7,556,592	6,447,717	
Investments of deferred compensation plan	-	-	-	-	-	420,766	-	-	-	420,766	317,315	
Annuity contracts	-	-	-	-	-	697,000	-	-	-	697,000	584,361	
Securities on deposit	-	-	-	-	-	866,274	-	-	-	866,274	786,601	
Receivables, net of allowance for uncollectibles:												
Taxes	469,479	318,824	-	-	-	-	-	-	-	788,303	862,356	
Due from federal government	601,895	101,106	-	-	9,348	-	-	-	-	737,038	510,909	
Loans	-	-	-	-	55,930	-	-	-	-	55,930	18,245	
Other receivables	64,236	15,797	-	-	33,540	172,484	-	-	-	286,057	357,290	
Due from cities and towns	175,000	2,298	-	-	-	-	-	-	-	177,298	170,831	
Due from other funds	5,997	18,153	-	-	212,261	-	-	-	-	236,411	259,674	
Inventory (at cost)	-	-	-	-	47,216	-	-	-	-	47,216	44,621	
Fixed assets	-	-	-	-	6,739,344	-	2,682,128	-	-	9,421,472	8,902,209	
Restricted and other assets	-	-	-	-	611,180	-	-	-	-	611,180	391,225	
Amount to be provided for retirement of long term obligations	-	-	-	-	-	-	-	-	6,795,121	6,795,121	5,513,316	
Total assets	\$1,448,298	\$926,195	\$38,048	\$ 24,689	\$8,005,694	\$11,781,972	\$2,682,128	\$6,795,121	\$31,702,095	\$28,255,679		

COMMONWEALTH OF MASSACHUSETTS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1989

(Amounts in thousands)

(Continued)

LIABILITIES AND FUND EQUITY	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects			General Fixed Assets	General Long-term Obligations	1989	1988
Liabilities:										
Deficiency in cash and short term investments	\$ -	\$ -	\$ -	\$ 234,343	\$ -	\$ -	\$ -	\$ -	\$ 234,343	\$ 629,376
Accounts payable	1,493,686	303,361	-	171,941	102,198	48,328	-	-	2,119,514	1,475,204
Tax refunds and abatements payable	205,714	137,641	-	-	-	-	-	-	343,355	519,101
Other accrued liabilities	311,650	43,153	-	2,469	227,775	10,396	-	99,571	695,014	506,784
Due to cities and towns	148,999	304,689	-	-	-	-	-	-	304,689	-
Due to other funds	65,762	-	-	-	21,650	-	-	-	236,411	259,674
Deferred revenue	1,625	9,705	-	-	108,428	3,638	-	-	123,396	175,403
Prizes payable	-	-	-	-	-	697,000	-	-	697,000	584,361
Agency liabilities	320	-	-	-	-	2,515,473	-	-	2,515,793	2,001,923
Bonds matured - not redeemed	-	-	38,048	-	-	-	-	-	38,048	4,772
Bonds and notes payable	107,000	-	-	36,100	2,470,723	-	-	5,531,638	8,145,461	6,563,387
School construction grants	-	-	-	-	-	-	-	1,038,555	1,038,555	957,727
Compensated absences	-	-	-	-	-	-	-	125,357	125,357	101,099
Total liabilities	2,268,994	864,311	38,048	444,853	2,930,774	3,274,835	-	6,795,121	16,616,936	13,778,811
Fund equity:										
Investment in general fixed assets	-	-	-	-	-	-	2,682,128	-	2,682,128	2,624,931
Contributed capital	-	-	-	-	4,859,919	-	-	-	4,859,919	4,772,550
Retained earnings:										
Reserved	-	-	-	-	24,757	-	-	-	24,757	22,632
Unreserved	-	-	-	-	190,234	-	-	-	190,234	183,546
Fund balances (deficit):										
Reserved for:										
Due from cities and towns	-	2,298	-	-	-	-	-	-	2,298	3,831
Unemployment benefits	-	-	-	-	-	1,187,470	-	-	1,187,470	1,238,428
Pension benefits	-	-	-	-	-	7,126,414	-	-	7,126,414	6,018,996
Unreserved	( 820,696)	59,586	-	( 420,164)	-	193,203	-	-	( 988,071)	( 388,046)
Total fund equity (deficit)	( 820,696)	61,884	-	( 420,164)	5,074,910	8,507,087	2,682,128	-	15,085,149	14,476,868
Total liabilities and fund equity	\$1,448,298	\$926,195	\$38,048	\$ 24,689	\$8,005,684	\$11,781,922	\$2,682,128	\$6,795,121	\$31,702,085	\$20,255,679

See notes to general purpose financial statements.



## COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - ALL GOVERNMENTAL  
FUND TYPES AND EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		1989	1988
Revenues:							
Taxes	\$5,373,471	\$3,321,416	\$ -	\$ -	\$ 479,270	\$ 9,174,157	\$ 8,499,914
Assessments	170,095	39,043	-	-	-	209,138	159,646
Federal grants and reimbursements	1,717,716	1,075,116	-	193,826	852	2,987,510	2,749,053
Departmental	586,695	1,758,067	-	261	219,711	2,564,734	2,350,631
Miscellaneous	128,856	37,915	-	53	168,180	335,004	331,512
Total revenues	7,976,833	6,231,557	-	194,140	868,013	15,270,543	14,090,756
Other financing sources:							
Proceeds of general obligation bonds	-	-	-	1,415,053	-	1,415,053	576,352
Proceeds of refunding bonds	-	-	226,450	-	-	226,450	-
Transfers in	301,233	490,070	582,217	28,407	10,065	1,411,992	1,416,889
Other sources	-	77	-	14	-	91	38,521
Total other financing sources	301,233	490,147	808,667	1,443,474	10,065	3,053,586	2,031,762
Total revenues and other sources	8,278,066	6,721,704	808,667	1,637,614	878,078	18,324,129	16,122,518
Expenditures:							
Legislature	49,377	-	-	747	-	50,124	47,869
Inspector General	1,379	-	-	-	-	1,379	1,232
Judiciary	56,134	224,250	-	1,055	48	281,487	270,377
Executive	6,170	-	-	-	-	6,170	5,933
Secretary of the Commonwealth	13,072	567	-	395	-	14,034	14,088
Treasurer and Receiver - General	45,089	2,048,882	-	2,000	8	2,095,979	2,110,579
Auditor of the Commonwealth	12,586	-	-	-	7	12,593	12,631
Attorney General	40,611	1,038	-	-	247	41,896	95,123
Ethics commission	1,081	-	-	-	10	1,091	973
District Attorney	44,391	36,441	-	-	326	81,158	80,277
Administration and finance	433,178	149,548	-	259,870	10,391	852,987	921,995
Environmental affairs	76,327	109,717	-	305,854	2,735	494,633	412,144
Communities and development	187,976	203,423	-	202,693	553	594,645	479,620
Human services	5,550,669	292,755	-	18,652	10,325	5,872,401	4,694,544
Transportation and construction	11,216	94,577	-	406,579	1,451	513,823	477,021
Education	70,414	1,980,912	-	4,141	4,647	2,060,114	1,968,256
Higher education	808,177	176,095	-	26,342	209,794	1,220,408	1,187,641
Public safety	41,515	114,915	-	3,371	1,019	160,820	162,088

## COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - ALL GOVERNMENTAL  
FUND TYPES AND EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		1989	1988
Expenditures (continued):							
Economic affairs	53,835	147,889	-	-	636,450	838,174	659,493
Elder affairs	148,360	26,279	-	-	-	174,734	145,314
Consumer affairs	26,055	3,646	-	14	1,637	31,352	30,307
Energy resources	2,581	17,314	-	1,922	10	21,827	17,496
Labor	23,410	836	-	24	9,351	33,621	26,854
Independent commissions	8,209	20,000	-	2,500	-	30,709	34,864
Pension	229,359	410,028	-	-	-	639,387	551,974
Debt service:							
Principal retirement	17,923	-	286,564	-	-	304,487	281,238
Interest and fiscal charges	53,429	-	295,012	-	-	348,441	287,227
Total expenditures	8,012,523	6,059,112	581,576	1,236,159	889,104	16,778,474	14,977,158
Other financing uses:							
Transfers out:							
Payments to refunded bonds escrow agent	-	-	226,450	-	-	226,450	-
Debt service-principal	201,398	85,166	-	-	-	286,564	269,479
Debt service-interest	206,130	89,523	-	-	-	295,653	269,735
Pension	7,978	15,557	-	-	-	23,535	48,226
Fund deficit support	-	-	-	-	-	-	231,027
Other	561,304	749,435	14,832	36,776	8,647	1,370,994	1,089,039
Other uses	-	47	-	-	-	47	18,074
Total other financing uses	976,810	939,728	241,282	36,776	8,647	2,203,243	1,925,580
Total expenditures and other uses	8,989,333	6,998,840	822,858	1,272,935	897,751	18,981,717	16,902,738
Excess (deficiency) of revenues and other sources over expenditures and other uses	( 711,267 )	( 277,136 )	( 14,191 )	364,679	( 19,673 )	( 657,588 )	( 780,220 )
Fund equity (deficit) at beginning of year	( 109,429 )	339,020	14,191	( 784,843 )	1,371,319	830,258	1,610,478
Fund equity (deficit) at end of year	( \$ 820,696 )	\$ 61,884	\$ -	( \$ 420,164 )	\$ 1,351,646	( \$ 172,670 )	\$ 830,258

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	General Fund		Variance Favorable (Unfavorable)	Special Revenue Funds		Variance Favorable (Unfavorable)	Totals (Memorandum Only)		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual		Budget	Actual	
<b>Revenues:</b>									
Taxes	\$5,619,419	\$5,619,419	\$ -	\$3,230,001	\$3,230,001	\$ -	\$ 8,849,420	\$ 8,849,420	\$ -
Assessments	160,432	160,432	-	4,005	4,005	-	164,437	164,437	-
Federal grants and reimbursements	1,518,394	1,518,394	-	23,564	23,564	-	1,541,958	1,541,958	-
Departmental	457,203	457,203	-	297,711	297,711	-	754,914	754,914	-
Miscellaneous	124,853	124,853	-	28,449	28,449	-	153,302	153,302	-
Total revenues	7,880,301	7,880,301	-	3,583,730	3,583,730	-	11,464,031	11,464,031	-
<b>Other financing sources:</b>									
Transfers in	237,971	237,971	-	487,407	487,407	-	725,378	725,378	-
Accounts payable balances reverted	8,749	8,749	-	( 2,299)	( 2,299)	-	6,450	6,450	-
Other sources	( 430)	( 430)	-	43	43	-	( 387)	( 387)	-
Total other financing sources	246,290	246,290	-	485,151	485,151	-	731,441	731,441	-
Total revenues and other sources	8,126,591	8,126,591	-	4,068,881	4,068,881	-	12,195,472	12,195,472	-
<b>Expenditures:</b>									
Legislature	54,894	49,289	5,605	-	-	-	54,894	49,289	5,605
Inspector General	1,393	1,378	15	-	-	-	1,393	1,378	15
Judiciary	79,848	78,975	873	230,415	227,933	2,482	310,263	306,908	3,355
Executive	6,518	5,937	581	-	-	-	6,518	5,937	581
Secretary of the Commonwealth	14,554	13,341	1,213	-	-	-	14,554	13,341	1,213
Treasurer and Receiver General	88,662	86,851	1,811	1,072,695	1,072,640	55	1,161,357	1,159,491	1,866
Auditor of the Commonwealth	13,139	13,102	37	-	-	-	13,139	13,102	37
Attorney General	19,605	19,460	145	902	877	25	20,507	20,337	170
Ethics commission	1,049	1,025	24	-	-	-	1,049	1,025	24
District Attorney	14,623	12,819	1,804	35,244	34,030	1,214	49,867	46,849	3,018
Administration and finance	851,744	805,639	46,105	123,820	119,857	3,963	975,564	925,496	50,068
Environmental affairs	78,159	74,672	3,487	94,815	90,202	4,613	172,974	164,874	8,100
Communities and development	208,269	187,525	20,744	62,244	44,391	17,853	270,513	231,916	38,597
Human services	5,148,740	5,025,050	123,690	19,155	17,810	1,345	5,167,895	5,042,860	125,035
Transportation and construction	340,707	339,094	1,613	162,768	151,641	11,127	503,475	490,735	12,740
Education	80,206	71,048	9,158	1,765,540	1,730,685	34,855	1,845,746	1,801,733	44,013

COMMONWEALTH OF MASSACHUSETTS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)  
(Continued)

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):									
Higher education	767,111	743,341	23,770	28	28	-	767,139	743,369	23,770
Public safety	42,151	38,612	3,539	98,595	97,011	1,584	140,746	135,623	5,123
Economic affairs	55,068	53,215	1,853	9,294	8,555	739	64,362	61,770	2,592
Elder affairs	146,866	144,529	2,337	-	-	-	146,866	144,529	2,337
Consumer affairs	26,553	25,039	1,514	3,576	3,454	122	30,129	28,493	1,636
Energy resources	2,706	2,523	183	47,671	14,767	32,904	50,377	17,290	33,087
Labor	24,327	22,967	1,360	886	840	46	25,213	23,807	1,406
Independent commissions	8,245	8,137	108	17,597	17,596	1	25,842	25,733	109
Pension	226,334	226,114	220	410,118	410,028	90	636,452	636,142	310
Debt service:									
Principal retirement	17,923	17,923	-	-	-	-	17,923	17,923	-
Interest and fiscal charges	51,287	53,429	( 2,142)	-	-	-	51,287	53,429	( 2,142)
Total expenditures	8,370,681	8,121,034	249,647	4,155,363	4,042,345	113,018	12,526,044	12,163,379	362,665
Other financing uses:									
Transfers out:									
Debt service-principal	201,398	201,398	-	83,281	85,166	( 1,885)	284,679	286,564	( 1,885)
Debt service-interest	208,669	206,130	2,539	88,252	89,522	( 1,270)	296,921	295,652	1,269
Pension	7,978	7,978	-	15,557	15,557	-	23,535	23,535	-
Other	24,684	20,069	4,615	40,371	114,797	( 74,426)	65,055	134,866	( 69,811)
Total other financing uses	442,729	435,575	7,154	227,461	305,042	( 77,581)	670,190	740,617	( 70,427)
Total expenditures and other uses	8,813,410	8,556,609	256,801	4,382,824	4,347,387	35,437	13,196,234	12,903,996	292,238
Excess of expenditures and other uses over revenues and other sources	( 686,819)	( 430,018)	256,801	( 313,943)	( 278,506)	35,437	( 1,000,762)	( 708,524)	292,238
Fund equity at beginning of year	322,060	322,060	-	102,783	102,783	-	424,843	424,843	-
Fund deficit at end of year	( \$ 364,759)	( \$ 107,958)	( \$256,801)	( \$ 211,160)	( \$ 175,723)	( \$ 35,437)	( \$ 575,919)	( \$ 283,681)	( \$292,238)

See notes to general purpose financial statements.

## COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND EQUITY - ENTERPRISE FUNDS,  
NONEXPENDABLE TRUST FUNDS AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Proprietary Fund Type	Fiduciary Fund Type		Totals (Memorandum Only)	
	Enterprise Funds	Nonexpendable Trust Funds	Pension Trust Funds	1989	1988
Revenues:					
Departmental	\$ -	\$ 2,967	\$ -	\$ 2,967	\$ 2,801
Employee contributions	-	-	331,316	331,316	306,472
Investment earnings	-	3,392	931,324	934,716	134,746
Charges for services	450,546	-	-	450,546	394,709
Donations	7,943	-	-	7,943	5,034
Other	13,215	-	-	13,215	-
Total revenues	471,704	6,359	1,262,640	1,740,703	843,762
Expenses:					
Environmental affairs	-	139	-	139	169
Higher education	-	1,132	-	1,132	1,039
Payments to beneficiaries and cities and towns	-	-	178,757	178,757	161,436
Operating expenses:					
Cost of services	797,753	-	-	797,753	702,775
Depreciation	177,922	-	-	177,922	140,970
Total expenses	975,675	1,271	178,757	1,155,703	1,006,389
Operating income (loss)	(503,971)	5,088	1,083,883	585,000	(162,627)
Nonoperating revenues (expenses):					
Operating grants	32,737	-	-	32,737	35,361
Interest income	41,128	-	-	41,128	25,705
Other revenues	7,362	-	-	7,362	7,625
Interest expense	(151,846)	-	-	(151,846)	(114,335)
Other expenses	(47,779)	-	-	(47,779)	(32,545)
Total nonoperating expenses	(118,398)	-	-	(118,398)	(78,189)
Income (loss) before transfers	(622,369)	5,088	1,083,883	466,602	(240,816)



COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND EQUITY - ENTERPRISE FUNDS,  
NONEXPENDABLE TRUST FUNDS AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	Proprietary Fund Type	Fiduciary Fund Type		Totals (Memorandum Only)	
		Nonexpendable Trust Funds	Pension Trust Funds	1989	1988
Transfers:					
Transfers in	\$ 541,235	-	23,535	564,770	490,626
Transfers out	-	( 16)	-	( 16)	( 9)
Total transfers	541,235	( 16)	23,535	564,754	490,617
Net income (loss)	( 81,134)	5,072	1,107,418	1,031,356	249,801
Add: Depreciation of cost of assets acquired from contributed capital	89,947	-	-	89,947	95,360
Increase in retained earnings/fund equity	8,813	5,072	1,107,418	1,121,303	345,161
Retained earnings/fund equity at beginning of year	206,178	23,955	6,018,996	6,249,129	5,903,968
Retained earnings/fund equity at end of year	\$214,991	\$29,027	\$7,126,414	\$7,370,432	\$6,249,129

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION - ENTERPRISE FUNDS,  
NONEXPENDABLE TRUST FUNDS AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Nonexpendable Trust Funds	Pension Trust Funds
		1989	1988
Sources of financial resources:			
Operations:			
Net income (loss)	(\$ 81,134)	\$ 5,072	\$1,107,418
Expenses not requiring current outlay of financial resources:			
Depreciation and amortization	177,922	-	-
Total sources of financial resources from operations	96,788	5,072	1,107,418
Increase (decrease) in accounts payable	17,800	22	( 5,446)
Increase in other accrued liabilities	67,094	-	-
Increase in due to other funds	3,957	-	45,033
Increase (decrease) in deferred revenue	25,425	-	-
Issuance of bonds and notes payable	790,936	-	-
Contributed capital	177,316	-	-
Total sources of financial resources	1,179,316	5,094	1,147,005
Uses of financial resources:			
Increase in investments	17,722	-	1,091,153
Increase (decrease) in receivables	18,216	( 14,950)	1,304
Increase (decrease) in due from other funds	( 29,720)	-	-
Increase in inventory	2,595	-	-
Increase (decrease) in restricted and other assets	219,956	-	-
Acquisition of fixed assets	639,988	-	-
Retirement of bonds and notes payable	283,516	-	-
Total uses of financial resources	1,152,273	(14,950)	1,092,457
Increase (decrease) in cash and short term investments	\$ 27,043	\$20,044	\$ 54,548

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 19891. Financial Statement Presentation:Introduction -

The accompanying general purpose financial statements of the Commonwealth of Massachusetts (the Commonwealth) present the financial position of the three fund types and two account groups, the results of operations of the three fund types and the changes in financial position of the Enterprise Funds, Nonexpendable Trust Funds, and Pension Trust Funds in accordance with generally accepted accounting principles (GAAP).

Reporting entity -

The general purpose financial statements include the departments, agencies, boards, and commissions governed by the legislative, judicial and constitutional offices of the Commonwealth of Massachusetts and the sixteen independent authorities and other organizations over which oversight authority is exercised. These entities, which are included as Enterprise Funds, were included based on the ability by the Commonwealth to exercise oversight responsibility, evidenced by:

- . Financial interdependency
- . Selection of governing authority
- . Designation of management
- . Ability to significantly influence operations
- . Accountability for fiscal matters
- . Scope of public service
- . Special financing relationships

These sixteen entities include:

Massachusetts Bay Transportation Authority, which provides public transportation services in the Greater Boston Metropolitan Area.

Massachusetts Convention Center Authority, which owns and operates the John B. Hynes Veterans Memorial Convention Center and the Boston Common Parking Garage.

Massachusetts Water Resources Authority, which provides water supply services and sewage collection, treatment and disposal services to areas of the Commonwealth.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

1. Financial Statement Presentation (Continued):Reporting entity (continued) -

Higher Education Building Authorities, which provide, maintain and operate dormitories, dining commons and other buildings and structures of the Universities and Colleges. The following are combined as "Higher Education Building Authorities":

- . Massachusetts State College Building Authority
- . Southeastern Massachusetts University Building Authority
- . University of Lowell Building Authority
- . University of Massachusetts Building Authority

The following entities are combined as "Other" Enterprise Funds:

Bay State Skills Corporation, which funds training programs in occupations found to be in high demand.

Government Land Bank, which aids public agencies and private enterprise in converting and developing surplus federal and state property and other substandard property in Massachusetts.

Massachusetts Community Development Finance Corporation, which invests in business enterprises located in economically depressed areas of Massachusetts, in conjunction with local community development corporations.

Massachusetts Industrial Finance Agency, which insures industrial mortgage loans and revenue bonds and approves and/or issues industrial revenue bonds in order to stimulate industrial growth and economic development.

Massachusetts Technology Development Corporation, which provides financial and other assistance to innovative enterprises in Massachusetts which have the potential to expand and generate new jobs and tax revenues.

Massachusetts Technology Park Corporation, which creates, and then will operate, Centers for Excellence designed to foster economic development within the Commonwealth in conjunction with Massachusetts colleges and universities.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

1. Financial Statement Presentation (Continued):Reporting entity (continued) -

University of Massachusetts Medical School - Group Practice Plan, which includes the activities of the University of Massachusetts Medical School Teaching Hospital's clinical faculty.

University of Massachusetts Medical School Teaching Hospital Trust Fund, which includes the activities of the University of Massachusetts Medical School Teaching Hospital.

The University of Massachusetts Medical Center Self Insurance Trust, which provides professional liability, hospital premises liability and physicians' and surgeons' liability coverage for the University of Massachusetts Medical Center, including the University of Massachusetts Medical School Teaching Hospital and the University of Massachusetts Medical School-Group Practice Plan.

The accompanying general purpose financial statements do not include the Massachusetts Home Finance Agency, Massachusetts Housing Finance Agency, Massachusetts Health and Educational Facilities Authority, Massachusetts Port Authority or Massachusetts Turnpike Authority, because the Commonwealth does not exercise oversight responsibility over these entities.

Fund accounting -

The Commonwealth records its transactions in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have been eliminated. The fund types and account groups are organized as follows:

Governmental Fund Types -

Governmental Funds support the governmental functions of the Commonwealth. The measurement focus is on determination of changes in financial resources rather than on the preservation of capital.



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

1. Financial Statement Presentation (Continued):Governmental Fund Types (continued) -

General Fund - is the primary operating fund of the Commonwealth. It is used to account for current financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - are used to account for specific revenue sources and financial uses that are segregated per state finance law from the General Fund. For example, the Highway, Local Aid, Federal Grants and Lottery Funds support governmental activity but are segregated from the General Fund. Many, but not all, of the Special Revenue Funds are included in the annual appropriations process.

Debt Service Funds - are used to account for the accumulation of resources and the future payment of general long term debt principal and interest, except for mini bond payments which are made from the General Fund.

Capital Projects Funds - are used to account for financial resources to be used for the acquisition or construction of major capital assets. Bond proceeds are generally received after the expenditure has been incurred. Accordingly, the fund equity of the capital projects funds reflects a deficit.

Proprietary Fund Type -

Enterprise Funds - are used to account for operations of the sixteen authorities. The measurement focus is on the flow of economic resources and the preservation of capital.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

1. Financial Statement Presentation (Continued):Fiduciary Fund Types -

Fiduciary Funds - are used to account for assets held by the Commonwealth in a trustee capacity (Trust Funds), or as an agent (Agency Funds) for individuals, private organizations, other governmental units, and/or other funds. Nonexpendable Trust Funds and Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Expendable Trust Funds - include certain trust funds of the State Colleges and Universities and the Unemployment Compensation Fund, which accounts for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed.

Nonexpendable Trust Funds - include the Metropolitan District Trust and the endowment funds of the State Colleges and Universities.

Pension Trust Funds - include the State Employees and Teachers Annuities Funds, the State Employees and Teachers Retirement Military Accumulation Funds and the Pension Reserve Fund.

Agency Funds - include annuities invested to pay future installments of lottery prizes and other assets held for others.

Account Groups:

Account Groups - are used to establish control and accountability over the Commonwealth's general fixed assets and long term obligations. The Commonwealth's account groups are as follows:

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

1. Financial Statement Presentation (Continued):Account Groups (continued) -

General Fixed Assets Account Group - is used to account for general fixed assets. General fixed assets are recorded as expenditures in the appropriate governmental fund and capitalized in the General Fixed Assets Account Group in the year purchased. Land and buildings are recorded at their most recent locally assessed valuations (June 30, 1984), while machinery and equipment are recorded at cost or estimated cost. Infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) has not been capitalized. No depreciation is provided on general fixed assets.

Enterprise Fund fixed assets are capitalized upon purchase and depreciated over the estimated useful life of the asset. The estimated useful lives are as follows:

Structures and improvements	10 - 100 years
Equipment	3 - 20 years

General Long Term Obligations Account Group - is used to account for general long term obligation bonds payable, school construction grants, compensated absences and claims and judgments related to governmental activities.

2. Summary of Significant Accounting Policies:

The accounting policies followed in preparing the accompanying general purpose financial statements are described below:

GAAP basis of accounting -

Governmental Fund Types, Expendable Trust Funds and Agency Funds are accounted for on the modified accrual basis of accounting.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):GAAP basis of accounting (continued) -

Under the modified accrual basis of accounting, revenues are recorded in the period in which they become both measurable and available. "Available" means expected to be collectible within the current period or soon thereafter, to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Taxes receivable, which represent the estimated amounts due to the Commonwealth on previous filings, over or under withholdings and estimated payments, and tax refunds and abatements payable, are all recorded as adjustments to tax revenues. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long term obligations is recorded as a fund liability when due.

Enterprise Funds, the Nonexpendable Trust Funds and Pension Trust Funds are accounted for on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgetary basis of accounting -

Budgets are adopted in accordance with a statutory basis of accounting which is not in accordance with GAAP. Under the statutory basis of accounting, revenues, except for reimbursements from other governments, are recognized when received. Federal reimbursements are recognized when related expenditures are incurred. Expenditures are recorded when the related cash disbursement occurs. However, at year end, payroll is accrued and payables are recorded when there are approved encumbrances and the goods or services have been received by June 30. Expenditures for the Medicaid program, financial assistance to the Massachusetts Transit Authorities, amounts for claims and judgments and certain other amounts are recorded when paid.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve during the year that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end have materially lapsed.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):Budgetary basis of accounting (continued) -

Budgets are enacted for the General and certain Special Revenue Funds. The Special Revenue Funds with annual budgets are: Highway, Local Aid, Government Land Bank, Victim and Witness Assistance, Mosquito and Greenhead Fly Control, Inland Fisheries and Game, Massachusetts Housing Partnership, Oil Overcharge, Hazardous Waste, Freight Rail, Passenger Rail, JFK Library and Park, Anti-Trust Law Enforcement, Nongame Wildlife, Inter-City Bus Capital Assistance, Federally Assisted Housing Bond Sinking, Motorcycle Safety, Reemployment and Job Placement and Child Abuse Prevention.

Cash and investments -

The Commonwealth follows the practice of pooling cash and cash equivalents of all fund types. Cash equivalents consist of short term investments and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and Expendable Trust Funds.

Equity securities of the Pension Trust Funds and deferred compensation plan investments are stated at market. All other investments are stated at cost.

Receivables -

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due to the Commonwealth as reimbursement for expenditures on federally funded programs are included as due from the federal government.

Inventories -

Inventories of materials and supplies are recorded as expenditures in Governmental Fund Types when purchased. Such inventories are not material in total to the general purpose financial statements. Inventories included within Enterprise Funds are stated at the lower of cost or market, on a first-in, first-out method.



COMMONWEALTH OF MASSACHUSETTS

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):

Interfund transactions -

During the course of operations, the Commonwealth has transactions between departments or between funds. Transactions of a buyer/seller nature between departments within a fund are eliminated from the individual fund statements. Transactions between funds which include pooled cash are recorded as adjustments to the funds' cash accounts and, thus, may result in a fund having a deficiency in cash and short term investments at year end.

In fiscal year 1988, the Legislature directed the General Fund to transfer sufficient funds to offset fund deficits in the Local Aid and Highway Funds. These transfers were recorded as Fund Deficit Support. There are no transfers directed in fiscal year 1989 as the General Fund is in a deficit position.

Interfund receivables and payables include the following at June 30, 1989 (amounts expressed in thousands):

General Fund:	
Due from:	
Enterprise Funds:	
Government Land Bank	<u>\$ 5,997</u>
Due to:	
Enterprise Funds:	
Massachusetts Bay Transportation Authority	\$132,831
Massachusetts Convention Center Authority	16,076
Government Land Bank	<u>92</u>
Total	<u>\$148,999</u>
Special Revenue Funds:	
Due from:	
Enterprise Funds:	
Massachusetts Water Resources Authority	\$ 15,653
Arts and State Lotteries	<u>2,500</u>
Total	<u>\$ 18,153</u>
Due to:	
Enterprise Funds:	
Massachusetts Bay Transportation Authority	\$ 63,262
Local Aid	<u>2,500</u>
Total	<u>\$ 65,762</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):Interfund transactions (continued) -

## Enterprise Funds:

## Due from:

General Fund	\$148,999
Special Revenue Funds	<u>63,262</u>

Total	<u>\$212,261</u>
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## Due to:

General Fund	\$ 5,997
Special Revenue Funds	<u>15,653</u>

Total	<u>\$ 21,650</u>
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Chapter 555 tax refund -

Chapter 62F as amended by Chapter 555, Acts of 1986 requires separate and distinct presentation of certain state tax revenue calculations. This law caps tax revenue growth and provides the opportunity for a tax refund to Commonwealth citizens once the cap is reached. The calculation of tax revenue and the tax refund, if any, is audited and certified by the Office of the State Auditor. The certification for fiscal years 1989 and 1988 established that the cap was not realized and that no refunds were due.

Compensated absences -

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their present current rate of pay.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long Term Obligations Account Group. Vested or accumulated vacation leave of the Enterprise Funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):Lottery revenue and prizes -

Revenues and prizes of the Massachusetts State Lottery and Massachusetts Arts Lottery are generally recognized as drawings are held. Certain prizes are payable in deferred installments for which the Commonwealth purchases annuities. These annuities are recorded as investments and prizes payable on the balance sheet. A significant portion of the remaining revenue is transferred for expenditure in accordance with legislative approval.

Insurance -

The Commonwealth and certain of its component units are not insured for casualty, theft, tort claims and other losses. Such losses are recognized as expenditures when measurable and payment is probable.

Total columns - memorandum only -

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. Budgetary Control:

The Governor presents an annual budget to the Legislature representing estimates of revenues, expenditures and other financing sources and uses anticipated during the coming fiscal year. The Constitution of the Commonwealth of Massachusetts requires the Governor to submit to the Legislature budgets for the General and certain Special Revenue Funds as discussed in Note 2. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies in an annual appropriation act. The Governor, before signing the act, may veto any specific item, subject to legislative override. Changes to this budget may be made via supplemental appropriation act or other legislative acts which must be approved by the Legislature and signed by the Governor.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

3. Budgetary Control (Continued):

Subsequent to June 30, 1989, the Legislature passed, and the Governor signed, Chapters 070, 142 and 287, Acts of 1989. These Acts included several supplemental budgetary and capital appropriations. For the year ended June 30, 1989, the Legislature approved increases in the original appropriations aggregating approximately \$555,880,000.

The original budgeted revenues as submitted by the Governor are not amended to coincide with any legislative changes to the original expenditure budget, and, therefore, the Commonwealth does not have legally updated budgeted revenue totals for use in the accompanying general purpose financial statements. Accordingly, the Budget and Actual statements for the General Fund and certain Special Revenue Funds use the actual revenues as the budgeted revenues.

The Commonwealth adopts two types of appropriations in the annual budget. The majority are lapsing appropriations which end each year and require annual reappropriation. The remaining appropriations are continuing appropriations wherein the Legislature, in the subsequent year, approves any unspent funds to be available for spending. Expenditures may not legally exceed the authorized level of spending. In the Budget and Actual Statements for the General Fund and certain Special Revenue Funds, the budget represents the total spending authority, net of amounts carried forward in continuing appropriations for fiscal year 1990.

The Office of the Comptroller has responsibility to ensure that budgetary control is maintained on an individual appropriation account basis. Expenditures or commitments (purchase orders) will not be approved by the Comptroller if they exceed the appropriation's total spending limit, which is a combination of authorized appropriations and portions of restricted receipts.



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

3. Budgetary Control (Continued):

The following table is a reconciliation of the GAAP and budgetary basis excess (deficiency) of revenues and other financing sources over expenditures and other uses of the General and certain budgeted Special Revenue Funds, highlighting the major differences in the bases of accounting (amounts expressed in thousands):

	<u>General</u>	<u>Special Revenue</u>
Deficiency of revenues and other financing sources over expenditures and other uses (budgetary basis)	(\$430,018)	(\$313,943)
Entity differences:		
Excess (deficiency) of revenues and other financing sources over expenditures and other uses for college and university funds	1,472	( 23,971)
Nonbudgeted Special Revenue Funds	-	( 7,028)
Bases of accounting differences:		
Net decrease in taxes receivable	( 70,615)	( 3,440)
Net increase in due from federal government	186,537	64,126
Net decrease in other receivables and asset accruals	( 36,392)	( 57,435)
Net decrease in tax refunds payable	105,747	69,999
Net increase in other payables and accrued liabilities	( 467,998)	( 5,444)
Deficiency of revenues and other financing sources over expenditures and other uses (GAAP basis)	(\$711,267)	(\$277,136)



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

4. Program Stabilization Fund:

The Program Stabilization Fund was created to maintain a reserve from which appropriations may be made for the following specific purposes:

- . To fund the difference between actual and allowable state revenues (as defined by the legislation)
- . To fund the state and local governments for actual reductions in federal financial assistance
- . To provide funds for any event which threatens the health, safety or welfare of the citizens of the Commonwealth
- . To provide funds for an event which threatens the fiscal stability of the Commonwealth or any of its political subdivisions

In the accompanying general purpose financial statements, the Commonwealth has accounted for this fund as part of the General Fund. The legislation limits the General Fund, Highway Fund and Local Aid Fund budgetary basis undesignated fund balances to 0.5% of the current fiscal year's budgetary basis state tax revenues. Any excess over this amount is transferred to the account "Designated for Program Stabilization." There are no amounts so designated as of June 30, 1989. Pursuant to the requirements of Section 8 of Chapter 287, Acts of 1989, the accumulated balance of the Program Stabilization Fund, as of June 30, 1989, was transferred to the General Fund.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

5. Deposits and Investments:

In accordance with GAAP, cash and short term investments and investments as detailed in the following paragraphs are classified as to credit risk by the three categories described below:

Category 1: Insured or collateralized with securities held by the Commonwealth or its agent in the Commonwealth's name.

Category 2: Collateralized with securities held by the counterparty's trust department or agent in the Commonwealth's name.

Category 3: Uncollateralized or collateralized with securities held by the counterparty, or by its trust department or agent but not in the Commonwealth's name.

The Commonwealth maintains a cash and short term investment pool that is available for use by all funds, except the Enterprise Funds. Each fund type's equity in this pool is displayed on the combined balance sheet as cash and short term investments and deficiency in cash and short term investments. In addition, other deposits and investments are handled separately by several of the funds. The deposits and investments of the Enterprise Funds and the investments in pooled trusts for the Pension Trust Funds are held separately from those of other state funds.

Investments in the Commonwealth's short term investment pool are carried at cost which approximates market. Statutes authorize the Commonwealth to invest in obligations of the U.S. Treasury, authorized bonds of all states, banker's acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

5. Deposits and Investments (Continued):

Cash and short term deposits at June 30, 1989, are as follows (amounts expressed in thousands):

	<u>Category</u>			<u>Bank balance</u>	<u>Carrying value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash	<u>\$ 5,249</u>	<u>\$ -</u>	<u>\$12,918</u>	<u>\$ 17,897</u>	<u>\$ 343,526</u>

The pooled short term investments at June 30, 1989, are as follows (amounts expressed in thousands):

	<u>Category</u>			<u>Carrying value</u>	<u>Market value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments:					
Certificates of deposit	\$ 26,735	\$ -	\$ -	\$ 26,735	\$ 26,735
U.S. Treasury obligations	769	-	-	769	769
State Treasurer's investment pool	<u>1,151,715</u>	<u>-</u>	<u>-</u>	<u>1,151,715</u>	<u>1,151,715</u>
Total investments	<u>\$1,179,219</u>	<u>\$ -</u>	<u>\$ -</u>	1,179,219	<u>\$1,179,219</u>
Carrying value of cash and short term deposits				343,526	
Enterprise Funds cash and short term investments				145,611	
Net cash and short term investments				<u>\$1,668,356</u>	

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

5. Deposits and Investments (Continued):

The investment policies of the Enterprise Funds are the same as the Commonwealth's except that they permit investment in equity securities. The cash and investments (including amounts in restricted and other assets) at June 30, 1989, are as follows (amounts expressed in thousands):

	<u>Category</u>			<u>Carrying value</u>	<u>Market value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash	\$ 10,973	\$ -	\$145,326	\$ 156,299	\$ 156,299
Investments:					
Repurchase agreements	-	-	26,164	26,164	26,164
U.S. Treasury obligations	127,206	62,648	-	189,854	189,287
Certificates of deposit	37,456	-	-	37,456	37,456
Equity securities	7,223	-	-	7,223	7,223
Notes	11,355	-	-	11,355	11,355
State Treasurer's investment pool	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>	<u>1,266</u>
	184,506	62,648	26,164	273,318	272,751
Money market investments	-	-	-	398,642	398,642
Mutual fund investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,741</u>	<u>1,741</u>
Subtotal	<u>184,506</u>	<u>62,648</u>	<u>26,164</u>	<u>673,701</u>	<u>673,134</u>
Total cash and investments	<u>\$ 195,479</u>	<u>\$64,648</u>	<u>\$171,490</u>	830,000	<u>\$ 829,433</u>
Less:					
Cash and short term investments				145,611	
Amounts included in re- stricted and other assets				<u>533,135</u>	
Total Enterprise Funds investments				<u>\$ 151,254</u>	

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

5. Deposits and Investments (Continued):

The Pension Trust Funds have invested a significant portion of the net assets available for benefits in two pooled trusts which account for their operations in a manner similar to a mutual fund. The trusts are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. The investments at June 30, 1989, are as follows (amounts expressed in thousands):

	<u>Category</u>			<u>Carrying value</u>	<u>Market value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments:					
Equity securities	\$3,100,847	\$ -	\$ -	\$3,100,847	\$3,100,847
U.S. Treasury obligations	856,072	-	-	856,072	856,072
Fixed income securities	2,315,547	-	-	2,315,547	2,315,547
Other	<u>661,753</u>	<u>-</u>	<u>-</u>	<u>661,753</u>	<u>661,753</u>
	<u>\$6,934,219</u>	<u>\$ -</u>	<u>\$ -</u>	6,934,219	6,934,219
Money market investments				140,999	140,999
Real estate investments				<u>352,395</u>	<u>352,395</u>
Subtotal				7,427,613	7,427,613
Net noninvestment assets of pooled trusts				( <u>22,275</u> )	( <u>22,275</u> )
Total Pension Trust Funds investments				<u>\$7,405,338</u>	<u>\$7,405,338</u>



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

6. Fixed Assets:Enterprise Funds -

Fixed assets of the sixteen authorities comprising the Commonwealth's Enterprise Funds consisted of the following as of June 30, 1989 (amounts expressed in thousands):

	<u>Depreciable assets</u>	<u>Nondepreciable assets</u>	<u>Total</u>
Land and improvements	\$ -	\$ 55,308	\$ 55,308
Structure and improvements	6,721,814	225,909	6,947,723
Equipment, furniture, fixtures and vehicles	<u>143,584</u>	<u>-</u>	<u>143,584</u>
	6,865,398	281,217	7,146,615
Less accumulated depreciation	<u>905,610</u>	<u>-</u>	<u>905,610</u>
	5,959,788	281,217	6,241,005
Property held for expansion	-	13,443	13,443
Construction in progress	<u>-</u>	<u>484,896</u>	<u>484,896</u>
Total	<u>\$5,959,788</u>	<u>\$779,556</u>	<u>\$6,739,344</u>

General fixed assets -

The following is a statement of changes in general fixed assets for the year ended June 30, 1989 (amounts expressed in thousands):

	<u>Balance July 1, 1988</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 1989</u>
Land	\$ 579,619	\$ -	\$ -	\$ 579,619
Buildings	1,512,399	-	-	1,512,399
Machinery and equipment	<u>532,913</u>	<u>75,053</u>	<u>17,856</u>	<u>590,110</u>
Total	<u>\$2,624,931</u>	<u>\$75,053</u>	<u>\$17,856</u>	<u>\$2,682,128</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

6. Fixed Assets (Continued):General fixed assets (continued) -

The Commonwealth is in the process of upgrading its general fixed assets accounting systems and records to meet the standards required by GAAP. Until the project is satisfactorily completed, it is not practical to conduct an audit of the General Fixed Assets Account Group.

7. Short Term Debt/Lines of Credit:

The Commonwealth has issued temporary notes and advances in anticipation of revenue or bond financing. This short term debt does not meet the long term debt refinancing criteria to be classified as long term debt and is therefore classified among fund liabilities.

General Funds -

The Commonwealth issues temporary notes for the purpose of providing working capital to the Massachusetts Bay Transportation Authority and regional transit authorities. The Commonwealth redeems the temporary notes through payments from cities and towns and future appropriations. Temporary notes outstanding at June 30, 1989, totaled \$107,000,000 with an interest rate of 7.75%.

Capital Projects Funds -

The Commonwealth issues Bond Anticipation Notes for the purpose of financing capital projects in anticipation of future bond offerings. Notes outstanding at June 30, 1989, totaled \$36,100,000, with interest rates ranging from 5.9% to 6.6%.

Line of credit agreements -

In connection with the Commonwealth's financing activities, it has entered into a line of credit agreement with a bank to borrow, on a short term basis, up to \$500,000,000. Subsequent to June 30, 1989, the available line was increased to \$1,200,000,000.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

7. Short Term Debt/Lines of Credit (Continued):

The agreement provides for advances, subject to certain limitations, bearing interest at the bank rate, as defined, in anticipation of revenue or bond issuance proceeds. These advances are repayable by September 30, following the advance, or may be converted, at the Commonwealth's option, to term advances. These term advances are repayable over a period of up to two years. In addition, the agreement provides for guarantees of Commonwealth short term borrowings. The combination of advances and guarantees cannot exceed the maximum amount of the line. Certain fees are payable on utilized and unutilized amounts. No amounts were drawn under this agreement during the year ended June 30, 1989.

In addition to the credit line discussed above, the Commonwealth had available an informal, unsecured line of credit arrangement with another bank, with interest charged at the prime rate plus 2%, which was utilized to meet short term operational needs. At June 30, 1989, a total of \$8,000,000 was outstanding under this facility, which was subsequently repaid. The facility had no maximum limit.

Subsequent to June 30, 1989, this informal line was discontinued, and the Commonwealth entered into a line of credit agreement with a third bank, through June 30, 1992, in the amount of \$100,000,000. Interest is charged at the federal funds rate plus 1.5%, or prime, whichever is the lesser. A commitment fee is payable quarterly on the excess of the commitment amount, over the average daily outstanding principal amount drawn.

8. Long Term Debt:

General long term obligation bonds of the Commonwealth are authorized and issued primarily to provide funds for state-owned capital projects and local government improvements. Under the Constitution of the Commonwealth of Massachusetts, both Houses of the Legislature approve, by a separate enabling Act, a loan for a specific purpose or objective. Thereafter, the issuance of bonds is made for a specified amount for part or all of the loan authorized by a particular enabling Act.

General long term obligation bonds are paid from the General and Debt Service Funds, backed by the full faith and credit of the Commonwealth, for the payment of the principal and interest on the bonds.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):

General long term obligation bonds outstanding and bonds authorized but unissued as of June 30, 1989, are as follows (amounts expressed in thousands):

<u>Purpose</u>	<u>Outstanding</u>		<u>Authorized</u>
	<u>Interest</u>	<u>Amount</u>	<u>unissued</u>
	<u>rates</u>		<u>Amount</u>
General Fund	1.75% to 12.00%	\$3,794,415	\$4,296,872
Government Land Bank	5.00% to 14.10%	17,081	-
Federally Assisted Housing	5.60% to 9.00%	8,722	2,245
Highway Fund	2.90% to 12.00%	1,287,763	686,166
Inland Fisheries and Game	4.60%	100	-
State Recreation Areas	3.20% to 12.00%	65,145	31,782
Metropolitan Parks District	3.25% to 12.00%	77,836	34,704
Metropolitan Sewerage District	1.75% to 9.90%	59,123	-
Metropolitan Water District	.10% to 12.09%	79,130	-
Local Aid	5.00% to 7.50%	139,643	1,241,541
Inter-city Bus	1.75% to 12.00%	2,680	13,500
Environmental Challenge		-	17,000
Total		<u>\$5,531,638</u>	<u>\$6,323,810</u>

Changes in bonds authorized - unissued for the year ended June 30, 1989, are as follows (amounts expressed in thousands):

Balance, July 1, 1988	\$7,361,392
Bond issuances (net of discount)	( 1,641,503)
Increase in bonds authorized	620,841
Expiration of authorizations	( 16,922)
Balance, June 30, 1989	<u>\$6,323,810</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):General long term obligations -

As of June 30, 1989, general long term obligation bonded debt service requirements to maturity for principal and interest are as follows (amounts expressed in thousands):

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1990	\$ 350,266	\$ 360,101	\$ 710,367
1991	374,605	341,766	716,371
1992	378,231	316,126	694,357
1993	374,039	292,417	666,456
1994	384,437	274,665	659,102
1995 and thereafter	<u>3,670,060</u>	<u>1,548,513</u>	<u>5,218,573</u>
Total	<u>\$5,531,638</u>	<u>\$3,133,588</u>	<u>\$8,665,226</u>



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):General long term obligations (continued) -

Changes in general long term obligation bonds for the year ended June 30, 1989, are as follows (amounts expressed in thousands):

<u>Fund</u>	<u>Outstanding as of July 1, 1988</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Outstanding as of June 30, 1989</u>	<u>Maturity dates</u>
General	\$2,900,900	\$1,133,000	\$397,800	\$3,636,100	1990-2009
Government Land Bank	20,500	-	3,400	17,100	1990-2007
Federally Assisted					
Housing	8,800	-	100	8,700	1990-2003
Highway	999,800	438,800	150,800	1,287,800	1990-2009
Local Aid	31,200	110,000	1,500	139,700	1990-2009
Inland Fisheries and					
Game	200	-	100	100	1990-1995
State Recreation					
Areas	<u>64,100</u>	<u>8,400</u>	<u>7,400</u>	<u>65,100</u>	1990-2009
Total direct debt	4,025,500	1,690,200	561,100	5,154,600	
Metropolitan Parks					
District	74,300	11,700	8,200	77,800	1990-2009
Metropolitan Sewerage					
District	65,800	-	6,700	59,100	1990-2015
Metropolitan Water					
District	<u>86,600</u>	<u>-</u>	<u>7,500</u>	<u>79,100</u>	1990-2025
Total district debt	226,700	11,700	22,400	216,000	
General mini bonds	<u>138,084</u>	<u>40,782</u>	<u>17,828</u>	<u>161,038</u>	1990-1994
Total long term debt	<u>\$4,390,284</u>	<u>\$1,742,682</u>	<u>\$601,328</u>	<u>\$5,531,638</u>	

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):Advance refunding -

During the fiscal year ended June 30, 1989, the Commonwealth advance refunded certain general long term obligation bond issues. The Commonwealth issued \$226,450,187 of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the General Long Term Obligation Account Group. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$8,073,356 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$11,590,288.

Changes in general long term obligations -

The School Construction Grant Program was formed to partially reimburse cities or towns for bond payments, on bonds issued for construction of local or regional schools.

During the year ended June 30, 1989, the following changes occurred in liabilities reported in the General Long Term Obligation Account Group.

	<u>General obligation bonds</u>	<u>School construction grants</u>	<u>Compensated absences</u>	<u>Claims and judgments</u>	<u>Total</u>
Balance, July 1, 1988	\$4,390,284	\$ 957,727	\$101,099	\$64,206	\$5,513,316
Bond issuances	1,742,682	-	-	-	1,742,682
Bond principal retirements	( 601,328)	-	-	-	( 601,328)
Net increase in school con- struction grants	-	80,828	-	-	80,828
Net increase in compensated absences	-	-	24,258	-	24,258
Net increase in claims and judgments	-	-	-	35,365	35,365
Balance, June 30, 1989	<u>\$5,531,638</u>	<u>\$1,038,555</u>	<u>\$125,357</u>	<u>\$99,571</u>	<u>\$6,795,121</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):Changes in general long term obligations (continued) -

The amounts for bond issuances above represent the face amount of the bonds issued, and differ from the amounts included in the combined statement of revenues, expenditures and changes in fund equity due to treatment of original issue discount.

Subsequent to June 30, 1989, the Commonwealth has issued \$252,267,513 of general obligation bonds maturing between 1990 and 2009, with interest rates ranging from 6.4% to 7.0%. The Commonwealth has also issued \$1,855,000,000 of Revenue Anticipation Notes, maturing at various times through November 1990, with interest rates ranging from 5.9% to 6.59%.

Revenue notes and bonds -

The Enterprise Funds issue bonds when income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding, net of unamortized discount of \$11,055,000 at June 30, 1989, are as follows (amounts expressed in thousands):

<u>Purpose</u>	<u>Interest rate</u>	<u>Amount</u>
Massachusetts Bay Transportation Authority:		
Bonds	3.00% - 17.61%	\$1,171,669
Notes	6.15% - 7.09%	260,000
Other	6.30% - 7.80%	28,565
Massachusetts Convention Center Authority:		
Bonds	5.25% - 10.00%	167,545
Massachusetts Water Resources Authority:		
Bonds	5.00% - 7.40%	589,221
Higher Education Authorities:		
Bonds	3.00% - 9.875%	250,207
Other:		
Bonds	3.00% - 10.00%	<u>3,516</u>
Total revenue notes and bonds		<u>\$2,470,723</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):Enterprise Funds -Massachusetts Bay Transportation Authority -

The Authority has issued General Transportation System bonds to provide funds to finance the plant and equipment improvement program. The bonds mature in annual installments through 2019, with average interest rates ranging from 3.92% to 17.61%, payable semiannually. Boston Metropolitan District bonds were issued for transit purposes prior to formation of the Authority. The bonds mature in annual installments through 2024, with average interest rates ranging from 3.00% to 8.75%. Maturities of principal are as follows (amounts expressed in thousands):

<u>Year ending June 30</u>	<u>Amount</u>
1990	\$ 36,745
1991	38,200
1992	39,405
1993	40,540
1994	41,611
1995 and thereafter	<u>985,121</u>
Total	<u>\$1,181,622</u>

The amounts above represent the face amount of bonds outstanding and differ from the amounts included in the combined balance sheet by \$9,953,000 due to treatment of original issue discount in the accompanying general purpose financial statements.

The Legislative Act under which the Authority was established provides that if, at any time, the Authority is unable to meet any interest or principal due on any bond issued by the Authority, sufficient funds will be remitted by the Commonwealth of Massachusetts to meet such obligations.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):Enterprise Funds (continued) -

The Massachusetts Bay Transportation Authority issues notes for the purpose of working capital. The aggregate amount of the Authority's notes payable at June 30, 1989, consisted of (amounts expressed in thousands):

Notes payable October 2, 1989, with interest rates of 6.15% to 6.19%	\$100,000
Notes payable March 2, 1990, with interest rates of 6.99% to 7.09%	<u>160,000</u>
Total	<u>\$260,000</u>

On October 2, 1989, \$100,000,000 of maturing notes were refinanced by the issuance of new notes with a face value of \$120,000,000 carrying an interest rate of 6.64%, which mature on October 2, 1990. The additional financing of \$20,000,000 will be used to fund operations.

Massachusetts Convention Center Authority -

The Authority issued bonds totaling \$200,000,000 to partially finance the renovation and expansion of the Hynes Auditorium. Bonds outstanding as of June 30, 1989, consisted of (amounts expressed in thousands):

Serial bonds maturing between 1989 and 2001, with interest rates ranging from 5.25% to 9.90%	\$115,300
Term bonds maturing between 2001 and 2005, with interest rates ranging from 9.125% to 10.00%	<u>52,245</u>
Total	<u>\$167,545</u>



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):Enterprise Funds (continued) -

Maturities of principal are as follows (amounts expressed in thousands):

<u>Year ending June 30</u>	<u>Amount</u>
1990	\$ 9,935
1991	10,675
1992	11,500
1993	12,405
1994	13,415
1995 and thereafter	109,615
Total	<u>\$167,545</u>

The Legislative Act authorizing the issuance of debt securities by the Authority provides for participation by the Commonwealth of Massachusetts in the full payment of the annual debt service costs.

Massachusetts Water Resources Authority -

The Authority issued bonds totaling \$595,000,000, the proceeds of which were used in the acquisition of assets from the Authority's predecessor. The amounts outstanding at June 30, 1989, are as follows (amounts expressed in thousands):

Series A, with interest rates ranging from 5.25% to 7.40%, due between July 1989 and April 1990	\$375,000
Series B, with interest rates ranging from 5.00% to 5.375%, due between July 1989 and June 1990	215,000
Less unamortized issuance and discount costs	( <u>779</u> )
Total	<u>\$589,221</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):Enterprise Funds (continued) -

The Authority has entered into a Guaranty Agreement with the Commonwealth of Massachusetts to secure payment of certain notes issued by the Authority. As such, the Commonwealth may guarantee up to \$600,000,000 aggregate principal amount of notes issued by the Authority. Such securities must mature by June 30, 1990, except that notes issued in anticipation of revenue shall be payable no later than one year from their date of issuance. At June 30, 1989, all of the above debt is guaranteed by the Commonwealth.

As of July 1, 1985, the Authority assumed responsibility to repay the Commonwealth for all principal and interest payments related to \$141,703,000 of debt issued by the Commonwealth in connection with the Metropolitan District Commission sewer and waterworks prior to July 1, 1985. The Commonwealth's debt consists of approximately 140 different debt instruments, with varying interest rates and maturity dates, and the Authority's share of principal payable amounted to \$94,832,000 at June 30, 1989. These amounts are included in the General Long term Obligations Account Group of the Commonwealth and as contributed capital in the Enterprise Funds.

Higher Education Building Authorities -

The Authorities have issued revenue and other bonds for the acquisition and construction of student housing and other facilities. Interest rates vary between 3.00% and 9.875%.

Approximate maturities of principal are as follows (amounts expressed in thousands):

<u>Year ending June 30</u>	<u>Amount</u>
1990	\$ 3,497
1991	3,733
1992	3,910
1993	5,496
1994	6,162
1995 and thereafter	<u>227,732</u>
Total	<u>\$250,530</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):Enterprise Funds (continued) -

The amounts above represent the face amount of bonds outstanding and differ from the amounts included in the combined balance sheet by \$323,000,000 due to the treatment of original issue discount in the accompanying general purpose financial statements.

The enabling legislation relating to the Authorities provides for financial support from the Commonwealth of Massachusetts in the form of full faith and credit guarantees.

9. Fund Deficits:

The general purpose financial statements include nine funds with total cumulative fund deficits of \$978,271,000 at June 30, 1989. The following are the individual funds with fund deficits (amounts expressed in thousands):

<u>Fund</u>	<u>Deficit Amount</u>
General	\$820,696
Highway	37,464
Local Aid	98,392
Anti-trust Law Enforcement	828
Federally Assisted Housing	6,501
Government Land Bank	11,205
Inter-city Bus	2,083
Purchasing Agent Supply	642
Purchasing Surplus Property	460

In addition, substantially all the Capital Projects Funds are in a deficit position, including the General Capital Projects Fund with a deficit of \$242,129,000.

During fiscal year 1990, the Legislature, in order to finance the above fund deficits, enacted a temporary income tax increase to repay short and long term borrowings. These borrowings provide for a maximum of \$475,000,000 of working capital and \$488,000,000 of Medicaid costs. The Commonwealth will continue its program of accelerating the issuance of general long term obligation bonds to fund capital projects.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

10. Segment Information - Enterprise Funds:

Various segment activities included in the Enterprise Funds are described in Note 1. Selected financial information with respect to these segments is as follows (amounts expressed in thousands):

	<u>Segments</u>					
	<u>Trans- portation</u>	<u>Medical school</u>	<u>Water supply waste disposal</u>	<u>Conven- tions and parking</u>	<u>Housing</u>	<u>Economic develop- ment</u>
Operating revenues	\$ 121,111	\$188,280	\$ 142,226	\$ 10,157	\$ -	\$ 9,930
Depreciation	108,236	8,425	46,762	8,817	20	5,662
Operating income (loss)	( 460,597)	8,504	5,155	( 13,176)	( 27,629)	( 16,229)
Nonoperating revenues (expenses)	( 63,048)	( 8,063)	( 43,931)	( 16,751)	( 6,861)	19,380
Transfers in	441,861	6,102	-	21,414	68,699	4,035
Current capital contributions	112,752	-	58,549	6,860	-	( 845)
Fixed asset additions	389,452	12,766	149,583	12,398	59,181	16,608
Total assets	3,923,404	184,646	3,033,044	298,377	392,040	173,308
Bonds and notes payable	1,460,234	-	589,221	167,545	205,208	3,515

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

, (Continued)

11. Retirement Systems:

The Commonwealth is responsible for the pension benefits for Commonwealth employees (members of the state employees' retirement system) and for teachers of the cities, towns and regional school districts throughout the Commonwealth (members of the teachers' retirement system, except for teachers in the Boston public schools, who are members of the State-Boston retirement system but whose pensions are also the responsibility of the Commonwealth). Employees of certain independent authorities and agencies, such as the MBTA, and of counties, cities and towns (other than teachers) are covered by separate retirement systems. The members of the retirement systems do not participate in the Social Security System. The Commonwealth has also assumed responsibility for payment of cost-of-living adjustments for local retirement systems.

Plan descriptions -

State Employees' Retirement System (SERS) is a single employer defined benefit public employee retirement system (PERS), covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies.

Teachers' Retirement System (TRS) is a cost-sharing multiple employer defined benefit PERS covering certified teachers in cities (except the City of Boston), towns, regional school districts and Quincy Junior College. The Commonwealth is responsible for all contributions and future benefit requirements of TRS. TRS is administered by the Commonwealth as part of the reporting entity.

State - Boston Retirement System (SBRS) is a cost-sharing multiple employer defined benefit PERS. The Commonwealth is only responsible for the actual cost of pension benefits for SBRS participants who serve in the City of Boston's School Department in a teaching capacity. SBRS is not administered by the Commonwealth, and it is not part of the reporting entity.



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

11. Retirement Systems (Continued):Cost of Living Adjustment (COLA) -

The Commonwealth has assumed financial responsibility for the COLA granted to participants in retirement systems of cities, towns and counties. Any future COLA granted by the Legislature to employees of these plans will also be the responsibility of the Commonwealth.

Membership -

Current membership in SERS and TRS as of January 1, 1989 is as follows:

	<u>SERS</u>	<u>TRS</u>
Retirees and beneficiaries		
currently receiving benefits	37,409	23,452
Active employees	98,622	64,098

Benefit provisions -

All PERS in the Commonwealth are established under the Uniform Massachusetts Contributory Retirement System requirements of the General Laws. These requirements provide uniform benefit and contribution requirements for all systems.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The system provides for retirement allowance benefits of up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and for public safety positions normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80%-85% pension and 15%-20% annuity.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

11. Retirement Systems (Continued):Funding status and progress -

GAAP requires the disclosure of a "pension benefit obligation" which is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on an ongoing basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarially determined present value of earned projected benefits and is independent of the funding method used to determine contributions to the System.

GAAP also requires that actuarial valuations, including the calculation of the pension benefit obligation, be performed at least biennially, with an actuarial update to a date within 12 months of the financial statements. A new valuation is required if significant changes have been made to benefit provisions since the last valuation. The most recent actuarial valuation of the System was prepared by the Massachusetts Retirement Law Commission as of January 1, 1987. This date is not within the period required by GAAP, and, therefore, the required disclosures relating to the pension benefit obligation are not presented.

Contributions required and contributions made -

The SERS and TRS are partially funded by employee contributions of regular compensation - 5% for those hired before January 1, 1975, 7% for those hired from January 1, 1975, through December 31, 1983, and 8% for those hired on or after January 1, 1984, plus an additional 2% of compensation above \$30,000 per year for those hired on or after January 1, 1979. These deductions are deposited in the individual pension funds. The annuity portion of the pension allowance is paid from these contributions.

The Commonwealth's contribution to SERS and TRS was originally established on a "pay-as-you-go" basis, meaning that amounts were appropriated each year to pay current benefits and a provision was not made to fully fund future liabilities already incurred. In fiscal 1978, the Commonwealth began to address the unfunded liabilities of the two state systems by making appropriations to a pension reserve. As a result of the passage of the Pension Reform Act of 1987, the Commonwealth is required, beginning in fiscal year 1989, to fund on a

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

11. Retirement Systems (Continued):Contributions required and contributions made (continued) -

current basis the future pension liabilities, including the liabilities for future payments of cost-of-living adjustments to local systems, and to amortize the unfunded liabilities over 40 years.

This legislation requires the Secretary of Administration and Finance to prepare a funding schedule which meets these requirements. The funding schedule is to be updated every three years on the basis of new actuarial valuation reports prepared under the direction of the Secretary of Administration and Finance.

The first funding schedule, based on January 1, 1987, data, was filed with the Legislature on March 1, 1988. Any such schedule is subject to legislative approval. However, if a schedule is not approved by the Legislature, payments are to be made in accordance with the most recently approved schedule.

The funding schedule currently in effect required payments of \$618,679,000 by the Commonwealth for the year ended June 30, 1989. During the year ended June 30, 1989, the total of state appropriations and retained revenues amounted to more than was necessary to meet benefit payments, and the excess of \$23,535,000 was transferred to the state's pension reserves.

Actual contributions made during the year ended June 30, 1989, are as follows:

	<u>Employee Contributions</u>	<u>Commonwealth Contributions</u>
SERS	\$192,332,000	\$259,101,123
TRS	125,573,000	237,331,941
SBRS	-	22,425,773
COLA	-	94,927,662
Contributions in excess of funding schedule	<u>-</u>	<u>23,535,226</u>
Total	<u>\$317,905,000</u>	<u>\$637,321,725</u>

In addition, during the year ended June 30, 1989, the Commonwealth has made payments totaling \$22,355,207 to current retirees employed prior to the establishment of the current plans.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

11. Retirement Systems (Continued):Contributions required and contributions made (continued) -

GAAP requires that pension expenditures (costs) should be based on an acceptable actuarial cost method and that they not be less than:

- o Normal cost
- o Interest on any unfunded prior service costs
- o If necessary, a provision for vested benefits when the total present value of vested benefits exceeds by 5% or more the value of the plan

The funding schedule follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued liability. However, the amortization of the accrued liability has been legislatively determined to be significantly lower in the first years of the 40-year funding period. Therefore, the fiscal year 1989 contribution did not materially cover the minimum contribution required by GAAP.

Beginning on March 1, 1990, the Secretary of Administration and Finance must also file with the Legislature accelerated funding schedules that do not take into account either additional appropriations which have been made in excess of obligatory funding schedule requirements or investment earnings that exceed interest rate assumptions upon which the funding schedule is based. The Governor is required to recommend appropriations sufficient to meet such an accelerated schedule.

Pension Reserve Fund -

Under the Massachusetts Contributory Retirement System requirements, the SERS and TRS account for the participants' contributions and related investment earnings. The Pension Reserve Fund is used to accumulate reserves to meet future pension liabilities of the two state systems.



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

11. Retirement Systems (Continued):Pension Reserve Fund (continued) -

As discussed above the Pension Reserve Fund is used to reduce the Commonwealth's unfunded liability. This fund receives money from:

- direct state appropriation above the funding schedule
- excess earnings in the State system
- withdrawal penalties on members leaving state employment with less than 10 years of service
- amounts available from federal grant funds for pension fringe benefits
- amounts from the funding schedule in excess of pension payments

Subsequent event -

The Commonwealth has adopted legislation to fund, through pension funding grants, the unfunded pension liability of nonstate PERS that elect to accept the provisions of such legislation (the "Funding Systems"). Any system that becomes a Funding System is required to establish a funding schedule designed to amortize its unfunded actuarial liability to zero over a period of 40 years.

Such pension funding grants are scheduled to commence at the beginning of the fiscal year ended June 30, 1990, and will continue for 15 years. As of June 30, 1989, 11 systems have elected to adopt the provisions of the legislation. Amounts to be paid in fiscal year 1990 by the Commonwealth are not determinable.

12. Deferred Compensation Plan:

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Commonwealth, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commonwealth (without being restricted to the provision of benefits under the plan), subject only to the claims of the Commonwealth's general creditors. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. All assets and liabilities of the plan are stated at market value.



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

12. Deferred Compensation Plan (Continued):

It is the opinion of the Commonwealth's legal counsel that the Commonwealth has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The plan assets are subject to the claims of the Commonwealth's general creditors; however, to the knowledge of legal counsel, no assets have been used in the past to satisfy such claims.

Of the \$420,766,000 in the plan at June 30, 1989, \$329,438,000 was applicable to the Commonwealth; the remaining \$91,328,000 represents the assets of cities and towns participating in the plan. The assets and liabilities of the deferred compensation plan are included in Agency Funds at June 30, 1989.

13. Commitments:

The Commonwealth's future minimum rental commitments for office space and equipment leases accounted for as operating leases at June 30, 1989, are as follows (amounts expressed in thousands):

<u>Year ending June 30</u>	<u>Office space</u>	<u>Equipment</u>	<u>Total</u>
1990	\$ 50,575	\$31,445	\$ 82,020
1991	40,902	24,457	65,359
1992	29,756	16,763	46,519
1993	21,088	7,941	29,029
1994	6,291	1,934	8,225
1995 and thereafter	<u>1,172</u>	<u>118</u>	<u>1,290</u>
Total	<u>\$149,784</u>	<u>\$82,658</u>	<u>\$232,442</u>

The Commonwealth has acquired equipment under Tax Exempt Lease Purchase and Certificate of Participation agreements. Total payments under such agreements in the fiscal year ended June 30, 1989 were \$13,988,000. The Commonwealth's future obligation under such agreements is \$63,914,000. The liability for these leases has not been recorded in the General Long Term Obligations Account Group.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

13. Commitments (Continued):

The Commonwealth also rents space on a monthly basis as a tenant-at-will. It is likely the Commonwealth will continue to rent some or all of this space in subsequent fiscal years. Total rental payments under tenancies-at-will in the fiscal year ended June 30, 1989, were approximately \$7,152,000.

The Commonwealth is obliged to pay the Massachusetts Bay Transportation Authority (MBTA) and the regional transit authorities for their net cost of service (current expenses, including interest on debt, minus current income) and to advance funds sufficient to meet outstanding bonds and notes if funds are not otherwise available. The Commonwealth recovers a portion of these payments through assessments to cities and towns served by these authorities.

The MBTA has entered into several sale-leaseback agreements with major financial institutions, covering equipment and rolling stock. The leases expire through 2013. Upon termination of the leases, the MBTA may purchase the equipment and rolling stock at prices equal to the lesser of a stated percentage (40%-70%) of the lessor's original purchase price or residual fair market value, as defined. These leases have been accounted for as operating leases under generally accepted accounting principles. Future minimum lease payments, which are eligible for 90% state contract assistance, are as follows (amounts expressed in thousands):

<u>Year ending June 30</u>	<u>Amount</u>
1990	\$ 12,068
1991	12,068
1992	12,068
1993	12,068
1994	12,068
1995 and thereafter	<u>240,100</u>
Total	<u>\$300,440</u>

At June 30, 1989, the University of Lowell Building Authority had commitments of \$16,623,000 relating to the construction of dormitories.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

13. Commitments (Continued):

At June 30, 1989, the Massachusetts Water Resources Authority (MWRA) had commitments of approximately \$205,650,000 relating to a capital improvement program. Additionally, the MWRA has been party to several state and federal lawsuits, and is required to comply with a detailed schedule of actions to achieve and maintain compliance with the requirements of the Clean Water Act. The MWRA anticipated capital expenditures of approximately \$6,000,000,000 between 1990 and 1999, based on certain preliminary assumptions and estimates. These estimates may change significantly as design and construction of the necessary facilities proceed. Funding is expected from various federal and state grants and debt issuance proceeds.

14. Contingencies:

There are a number of lawsuits pending or threatened against the Commonwealth which arose from the ordinary course of operations, including claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. For those cases in which it is probable or reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General estimates the liability to be \$224,285,000; \$98,490,000 of that portion is expected to be paid in more than twelve months and is recorded in the General Long Term Obligations Account Group. The remainder is recorded in the General Fund. Of the total liability, approximately \$60,000,000 relates to claims by certain acute-care hospitals challenging actions by the Rate Setting Commission.

Additionally, there are various cases currently before the Appellate Tax Board, with approximately \$468,500,000 of collected taxes being contested. No accrual has been made for these amounts in the general purpose financial statements.

The Commonwealth receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally based upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which receives the grant. As of June 30, 1989, the Commonwealth estimates that nonmaterial liabilities, if any, will result from such audits.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTSFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

14. Contingencies (Continued):

The Commonwealth's Abandoned Property Law requires deposit of certain unclaimed assets into a managed Agency Fund. The statutes require the excess amount over \$500,000 each June 30 to be remitted to the General Fund where it is included as miscellaneous revenue. Amounts remitted during fiscal year 1989 total \$17,000,000. A total of approximately \$173,900,000 has been remitted since inception of the fund, and represents a contingency, since claims for refunds can be made by the owners of the property.

The Commonwealth guarantees the debt of certain authorities and local governments. In addition to the debt disclosed in Note 8, the outstanding guaranteed debt at June 30, 1989, is approximately \$12,848,000 and \$1,400,000 of debt issued by local housing authorities and the Town of Mashpee, respectively.

The Commonwealth also guarantees certain debt under statutory requirements. The debt so guaranteed at June 30, 1989, is approximately \$39,928,000, and \$23,350,000 issued by regional transit authorities and the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, respectively.

15. Reclassifications:

Certain reclassifications have been made to the 1988 balances to conform to the presentation used in 1989.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS



COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

GENERAL FUND

COMMONWEALTH OF MASSACHUSETTSGENERAL FUNDCOMPARATIVE BALANCE SHEETSJUNE 30, 1989

(Amounts in thousands)

	<u>1989</u>	<u>1988</u>
<u>ASSETS</u>		
Cash and short term investments	\$ 131,691	\$ 610,421
Receivables, net of allowance for uncollectibles:		
Taxes	469,479	540,094
Due from federal government	601,895	414,448
Other receivables	64,236	68,698
Due from cities and towns	175,000	167,000
Due from other funds	<u>5,997</u>	<u>-</u>
Total assets	<u>\$1,448,298</u>	<u>\$1,800,661</u>

LIABILITIES AND FUND EQUITY

Liabilities:		
Accounts payable	\$1,493,686	\$1,002,122
Tax refunds and abatements payable	205,714	311,461
Other accrued liabilities	311,650	235,160
Due to other funds	148,999	197,481
Deferred revenue	1,625	57,750
Agency liabilities	320	116
Notes payable	<u>107,000</u>	<u>106,000</u>
Total liabilities	<u>2,268,994</u>	<u>1,910,090</u>
Fund deficit:		
Unreserved	( 820,696 )	( 109,429 )
Total liabilities and fund equity	<u>\$1,448,298</u>	<u>\$1,800,661</u>

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTSGENERAL FUNDCOMPARATIVE STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND EQUITYFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	<u>1989</u>	<u>1988</u>
Revenues:		
Taxes	\$5,373,471	\$5,078,602
Assessments	170,095	157,300
Federal grants and reimbursements	1,717,716	1,544,351
Departmental	586,695	569,867
Miscellaneous	<u>128,856</u>	<u>122,589</u>
Total revenues	<u>7,976,833</u>	<u>7,472,709</u>
Other financing sources:		
Transfers in	<u>301,233</u>	<u>225,271</u>
Total revenues and other sources	<u>8,278,066</u>	<u>7,697,980</u>
Expenditures:		
Legislature	49,377	47,745
Inspector General	1,379	1,232
Judiciary	56,134	58,721
Executive	6,170	5,911
Secretary of the Commonwealth	13,072	13,029
Treasurer and Receiver - General	45,089	123,796
Auditor of the Commonwealth	12,586	12,631
Attorney General	40,611	91,477
Ethics commission	1,081	973
District Attorney	44,391	24,281
Administration and finance	433,178	635,382
Environmental affairs	76,327	79,475
Communities and development	187,976	162,888
Human services	5,550,669	4,446,053
Transportation and construction	11,216	16,534
Education	70,414	53,723

COMMONWEALTH OF MASSACHUSETTSGENERAL FUNDCOMPARATIVE STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND EQUITYFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	<u>1989</u>	<u>1988</u>
Expenditures (continued):		
Higher education	808,177	841,566
Public safety	41,515	39,815
Economic affairs	53,835	52,771
Elder affairs	148,360	127,799
Consumer affairs	26,055	26,614
Energy resources	2,581	2,738
Labor	23,410	18,240
Independent commissions	8,209	7,811
Pension	229,359	235,576
Debt service:		
Principal retirement	17,923	11,759
Interest and fiscal charges	<u>53,429</u>	<u>17,492</u>
Total expenditures	<u>8,012,523</u>	<u>7,156,032</u>
Other financing uses:		
Transfers out:		
Debt service - principal	201,398	192,930
Debt service - interest	206,130	198,428
Pension	7,978	35,726
Fund deficit support	-	231,027
Other	<u>561,304</u>	<u>388,718</u>
Total other financing uses	<u>976,810</u>	<u>1,046,829</u>
Total expenditures and other uses	<u>8,989,333</u>	<u>8,202,861</u>
Deficiency of revenues and other sources over expenditures and other uses	( 711,267)	( 504,881)
Fund equity (deficit) at beginning of year	( <u>109,429</u> )	<u>395,452</u>
Fund equity (deficit) at end of year	( <u>\$ 820,696</u> )	( <u>\$ 109,429</u> )

See notes to general purpose financial statements.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

SPECIAL REVENUE FUNDS



SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1989

(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Arts and State Lotteries	Other	Totals
						19891988
<b>ASSETS</b>						
Cash and short term investments	\$ 81,302	\$26,814	\$202,832	\$63,175	\$ 95,894	\$470,017\$ 382,031
Receivables, net of allowance for uncollectibles:						
Taxes	1,216	25,906	291,667	-	35	318,824322,264
Due from federal government	96,937	3,987	-	-	182	101,10626,408
Other receivables	-	637	-	3,077	12,083	15,79767,767
Due from cities and towns	-	-	2,298	-	-	2,2983,831
Due from other funds	-	-	2,500	-	15,653	18,15317,693
Total assets	\$179,455	\$57,344	\$499,297	\$66,252	\$123,847	\$926,195\$ 819,994
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Accounts payable	\$ 90,825	\$11,515	\$152,208	\$27,531	\$ 21,282	\$303,361\$ 177,997
Tax refunds and abatements payable	-	-	137,641	-	-	137,641207,640
Other accrued liabilities	18,941	20,031	3,151	-	1,030	43,15324,456
Due to cities and towns	-	-	304,689	-	-	304,689-
Due to other funds	-	63,262	-	2,500	-	65,76244,500
Deferred revenue	-	-	-	9,705	-	9,70526,381
Total liabilities	109,766	94,808	597,689	39,736	22,312	864,311480,974
Fund equity:						
Fund balances (deficit):						
Due from cities and towns	-	-	2,298	-	-	2,2983,831
Unreserved	69,689	( 37,464)	( 100,690)	26,516	101,535	59,586335,189
Total fund equity (deficit)	69,689	( 37,464)	( 98,392)	26,516	101,535	61,884339,020
Total liabilities and fund equity	\$179,455	\$57,344	\$499,297	\$66,252	\$123,847	\$926,195\$ 819,994

See notes to general purpose financial statements

COMMONWEALTH OF MASSACHUSETTS  
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Arts and State Lotteries	Other	Totals
						1989
						1988
<b>Revenues:</b>						
Taxes	\$ -	\$321,626	\$2,968,571	\$ 9,692	\$ 21,527	\$3,321,416
Assessments	-	2,381	-	-	36,662	\$2,954,221
Federal grants and reimbursements	1,044,573	16,830	42	-	13,671	39,043
Departmental	3,187	278,929	228	1,447,556	28,167	1,075,116
Miscellaneous	4	1,395	15,168	6,741	14,607	937,267
						1,758,067
						1,601,523
						45,110
<b>Total revenues</b>	<b>1,047,764</b>	<b>621,161</b>	<b>2,984,009</b>	<b>1,463,989</b>	<b>114,634</b>	<b>6,231,557</b>
						<b>5,540,467</b>
<b>Other financing sources:</b>						
Transfers in	596	-	483,306	-	6,168	490,070
Other sources	34	35	8	-	-	77
						<b>644,726</b>
<b>Total other financing sources</b>	<b>630</b>	<b>35</b>	<b>483,314</b>	<b>-</b>	<b>6,168</b>	<b>490,147</b>
						<b>662,615</b>
<b>Total revenues and other financing sources</b>	<b>1,048,394</b>	<b>621,196</b>	<b>3,467,323</b>	<b>1,463,989</b>	<b>120,802</b>	<b>6,721,704</b>
						<b>6,203,082</b>
<b>Expenditures:</b>						
Judiciary	9	-	224,241	-	-	224,250
Executive	-	-	-	-	-	-
Secretary of the Commonwealth	567	-	-	-	-	567
Treasurer and Receiver - General	353	-	-	-	-	350
Attorney General	139	846	1,077,365	969,029	1,289	2,048,882
District Attorney	1,351	13	-	-	886	1,038
Administration and finance	3,876	332	28,112	-	6,646	36,441
Environmental affairs	18,101	72,250	46,347	-	27,075	169,548
Communities and development	171,637	45,360	37,331	-	8,925	133,621
Human services	265,108	-	8,280	-	23,506	169,548
Transportation and construction	3,011	69,425	17,092	-	10,555	203,423
Education	255,479	1,275	21,568	-	573	292,755
Higher education	176,067	1,275	1,724,158	-	-	94,577
Public safety	15,779	28	-	-	-	1,980,912
Economic affairs	137,839	97,511	1,625	-	-	176,095
Elder affairs	26,279	-	94	-	9,956	114,915
Consumer affairs	146	3,500	-	-	-	147,889
Energy resources	726	-	-	-	-	26,279
Labor	836	-	-	-	-	17,445
Independent commissions	2,404	-	-	-	-	3,646
Pension	-	-	17,596	-	16,588	2,975
			362,134	-	-	17,314
			-	-	-	12,543
			-	-	-	20,000
			-	-	-	836
			-	-	-	27,053
			-	-	-	316,398
<b>Total expenditures</b>	<b>1,079,707</b>	<b>337,820</b>	<b>3,565,943</b>	<b>969,029</b>	<b>106,613</b>	<b>6,059,112</b>
						<b>5,587,071</b>

COMMONWEALTH OF MASSACHUSETTS

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	Federal Grants	Highway	Local Aid	Arts and State Lotteries	Other	Totals
						1989 1988
Other financing uses:						
Transfers out:						
Debt service - principal	-	70,877	11,290	-	2,999	85,166 76,549
Debt service - interest	-	76,527	11,207	-	1,789	89,523 71,307
Pension	-	1,647	13,886	-	24	15,557 12,500
Other	16,204	103,172	66,819	541,203	22,037	749,435 684,186
Other uses	47	-	-	-	-	47 3,150
Total other financing uses	16,251	252,223	103,202	541,203	26,849	939,728 647,692
Total expenditures and other financing uses	1,005,958	590,043	3,669,145	1,510,232	133,462	6,998,840 6,434,763
Excess (deficiency) of revenues and other sources over expenditures and other uses	( 47,564)	31,153	( 201,822)	( 46,243)	( 12,660)	( 277,136) ( 231,681)
Fund equity (deficit) at beginning of year	117,253	( 68,617)	103,430	72,759	114,195	339,020 570,701
Fund equity (deficit) at end of year	\$ 69,689	(\$ 37,464)	(\$ 98,392)	\$ 26,516	\$101,535	\$ 61,884 \$ 339,020

See notes to general purpose financial statements.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

CAPITAL PROJECTS FUNDS

COMMONWEALTH OF MASSACHUSETTS

CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1989

(Amounts in thousands)

	General	Highway	Federal	Other	1989	Totals	1988
<b>ASSETS</b>							
Receivables, net of allowance for uncollectibles:							
Due from federal government	\$ -	\$ -	\$24,689	\$ -	\$ 24,689		\$ 60,648
Total assets	\$ -	\$ -	\$24,689	\$ -	\$ 24,689		\$ 60,648
<b>LIABILITIES AND FUND DEFICIT</b>							
Liabilities:							
Deficiency in cash and short term investments	\$120,077	\$30,906	\$ 73,253	\$10,107	\$234,343		\$629,376
Accounts payable	93,119	17,098	31,175	30,549	171,941		103,318
Other accrued liabilities	433	-	1,508	528	2,469		1,913
Deferred revenue	-	-	-	-	-		7,084
Notes payable	28,500	4,900	-	2,700	36,100		103,800
Total liabilities	242,129	52,904	105,936	43,884	444,853		845,491
Total fund deficit:							
Unreserved	( 242,129)	( 52,904)	( 81,247)	( 43,884)	( 420,164)		( 784,843)
Total liabilities and fund deficit	\$ -	\$ -	\$ 24,689	\$ -	\$ 24,689		\$ 60,648

See notes to general purpose financial statements.



## COMMONWEALTH OF MASSACHUSETTS

## CAPITAL PROJECTS FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	General	Highway	Federal	Other	1989	Totals	1988
<b>Revenues:</b>							
Federal grants and reimbursements	\$ 214	\$ -	\$193,595	\$ 17	\$ 193,826		\$151,450
Departmental	48	-	-	213	261		256
Miscellaneous	53	-	-	-	53		1,056
Total revenues	315	-	193,595	230	194,140		152,762
<b>Other financing sources:</b>							
Proceeds of general long term obligation bonds	848,568	438,785	-	127,700	1,415,053		576,352
Transfers in	18	-	20,356	8,033	28,407		-
Other sources	4	-	10	-	14		-
Total other financing sources	848,590	438,785	20,366	135,733	1,443,474		576,352
Total revenues and other sources	848,905	438,785	213,961	135,963	1,637,614		729,114
<b>Expenditures:</b>							
Legislature	747	-	-	-	747		124
Judiciary	1,055	-	-	-	1,055		55
Executive	-	-	-	-	-		17
Secretary of the Commonwealth	395	-	-	-	395		703
Treasurer and Receiver - General	2,000	-	-	-	2,000		-
Administration and Finance	219,812	-	-	39,285	259,870		149,922
Environmental affairs	207,649	773	-	80,270	305,854		210,874
Communities and development	189,139	17,935	-	13,554	202,693		128,403
Human services	17,291	-	-	1,361	18,652		11,866
Transportation and construction	15,344	99,246	287,797	4,192	406,579		336,217
Education	1,863	-	-	2,278	4,141		2,216
Higher education	26,342	-	-	-	26,342		25,800

COMMONWEALTH OF MASSACHUSETTS

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	General	Highway	Federal	Other	1989	1988
Public safety	3,370	1	-	-	3,371	136
Consumer affairs	14	-	-	-	14	267
Energy resources	1,922	-	-	-	1,922	2,213
Labor	24	-	-	-	24	28
Independent commission	2,500	-	-	-	2,500	-
Total expenditures	689,467	117,955	287,797	140,940	1,236,159	868,841
Other financing uses:						
Transfers out	7,703	20,358	4,518	4,197	36,776	14,866
Other	-	-	-	-	-	8,098
Total other financing uses	7,703	20,358	4,518	4,197	36,776	22,964
Total expenditures and other financing uses	697,170	138,313	292,315	145,137	1,272,935	891,805
Excess (deficiency) of revenues and other sources over expenditures and other uses	151,735	300,472	( 78,354)	( 9,174)	364,679	( 162,691)
Fund deficit at beginning of year	( 393,864)	( 353,376)	( 2,893)	( 34,710)	( 784,843)	( 622,152)
Fund deficit at end of year	( \$242,129)	( \$ 52,904)	( \$ 81,247)	( \$ 43,884)	( \$ 420,164)	( \$784,843)

See notes to general purpose financial statements.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

ENTERPRISE FUNDS

COMMONWEALTH OF MASSACHUSETTS  
ENTERPRISE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 1989

(Amounts in thousands)

	Assets					Liabilities and Capital				
	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other	Totals	1989	1988		
Cash and short term investments	\$ 35,556	\$ 1,069	\$ 22,787	\$ 19,537	\$ 66,662	\$ 145,611	\$ 145,611	\$ 118,568		
Receivables, net of allowance for uncollectibles:	-	-	-	90,536	60,718	151,254	151,254	133,532		
Due from federal government	9,348	-	-	-	-	9,348	9,348	9,405		
Loans	-	-	-	-	55,930	55,930	55,930	18,245		
Other receivables	10,460	684	1,063	1,295	20,038	33,540	33,540	52,952		
Due from other funds	196,093	16,076	-	-	92	212,261	212,261	241,981		
Inventory (at cost)	36,574	-	6,801	-	3,841	47,216	47,216	44,621		
Fixed assets	3,592,770	232,593	2,531,025	279,309	103,647	6,739,344	6,739,344	6,277,278		
Restricted and other assets	42,603	47,956	471,368	2,227	47,026	611,180	611,180	591,223		
Total assets	\$3,923,404	\$298,378	\$3,033,044	\$392,904	\$357,954	\$8,005,684	\$8,005,684	\$7,287,807		
LIABILITIES AND CAPITAL										
Liabilities:										
Accounts payable	\$ 25,977	\$ 9,698	\$ 51,116	\$ 482	\$ 14,925	\$ 102,198	\$ 102,198	\$ 84,398		
Other accrued liabilities	123,712	17,129	11,402	-	75,532	227,775	227,775	160,683		
Due to other funds	-	-	15,653	-	5,997	21,650	21,650	17,693		
Deferred revenue	42,074	258	65,254	-	842	108,428	108,428	83,002		
Bonds and notes payable	1,460,234	167,545	589,221	250,208	3,515	2,470,723	2,470,723	1,963,303		
Total liabilities	1,651,997	194,630	732,646	250,690	100,811	2,930,774	2,930,774	2,309,079		
Fund Equity:										
Contributed capital	2,394,034	93,902	2,300,398	-	71,585	4,859,919	4,859,919	4,772,550		
Retained earnings (deficit):										
Reserved	-	8,488	-	876	15,393	24,757	24,757	22,632		
Unreserved	( 122,627)	1,358	-	141,338	170,165	190,234	190,234	183,546		
Total fund equity	2,271,407	103,748	2,300,398	142,214	257,143	5,074,910	5,074,910	4,978,728		
Total liabilities and fund equity	\$3,923,404	\$298,378	\$3,033,044	\$392,904	\$357,954	\$8,005,684	\$8,005,684	\$7,287,807		

See notes to general purpose financial statements.

## COMMONWEALTH OF MASSACHUSETTS

## ENTERPRISE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

FISCAL YEAR ENDED JUNE 30, 1989

	(Amounts in thousands)						Totals	
	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other		1989	1988
Operating revenues:								
Charges for services	\$121,111	\$10,157	\$140,562	\$ -	\$178,716		\$450,546	\$394,709
Donations	-	-	-	-	7,943		7,943	5,034
Other	-	-	1,664	-	11,551		13,215	-
Total operating revenues	121,111	10,157	142,226	-	198,210		471,704	399,743
Operating expenses:								
Cost of services	473,472	14,516	90,309	27,609	191,847		797,753	702,775
Depreciation	108,236	8,817	46,762	20	14,087		177,922	140,970
Total operating expenses	581,708	23,333	137,071	27,629	205,934		975,675	843,745
Operating loss	(460,597)	(13,176)	5,155	(27,629)	(7,724)		(503,971)	(444,002)
Nonoperating revenues (expenses):								
Operating grants	19,564	-	184	454	12,535		32,737	35,361
Interest income	3,865	1,051	19,318	6,858	10,036		41,128	25,705
Other revenues	1,523	434	-	2,356	3,049		7,362	7,625
Interest expense	(88,000)	(15,800)	(29,186)	(16,518)	(2,342)		(151,846)	(114,335)
Other expenses	-	(2,436)	(34,247)	(10)	(11,086)		(47,779)	(32,545)
Total nonoperating revenues (expenses)	(63,048)	(16,751)	(43,931)	(6,860)	(12,192)		(118,398)	(78,189)
Income (loss) before transfers	(523,645)	(29,927)	(38,776)	(34,489)	4,468		(622,369)	(532,191)
Transfers in	441,861	21,414	-	68,699	9,261		541,235	447,400
Net income (loss)	(81,784)	(8,513)	(38,776)	34,210	13,729		(81,134)	(79,791)
Add:								
Depreciation of cost of assets acquired from contributed capital	42,500	8,671	38,776	-	-		89,947	95,360
Increase (decrease) in retained earnings	(39,284)	158	-	34,210	13,729		8,813	15,569
Fund equity (deficit) at beginning of year	(83,343)	9,688	-	108,004	171,829		206,178	190,609
Fund equity (deficit) at end of year	(122,627)	\$ 9,846	\$ -	\$142,214	\$185,558		\$214,991	\$206,178

See notes to general purpose financial statements.



## COMMONWEALTH OF MASSACHUSETTS

## ENTERPRISE FUNDS

## COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other	Totals
	1989	1989	1989	1989	1989	1988
Sources of financial resources:						
Operations:						
Net income (loss)	(\$ 81,784)	(\$ 8,513)	(\$ 38,776)	\$34,210	\$13,729	(\$ 79,791)
Expenses not requiring current outlay of financial resources:						
Depreciation and amortization	108,236	8,817	46,762	20	14,087	140,970
Total sources of financial resources from operations	26,452	304	7,986	34,230	27,816	61,179
Increase (decrease) in accounts payable	( 4,053)	( 675)	22,979	( 1,572)	1,121	23,458
Increase (decrease) in other accrued liabilities	12,188	3,222	5,439	( 86)	46,331	27,023
(Increase) decrease in due to other funds	-	-	( 2,040)	-	5,997	( 1,602)
Increase (decrease) in deferred revenue	( 6,127)	42	34,001	-	( 2,491)	( 37,026)
Issuance of bonds and notes payable	463,565	-	300,000	23,856	3,515	629,800
Contributed capital	112,752	6,860	58,549	-	( 845)	280,607
Total sources of financial resources	604,777	9,753	426,914	56,428	81,444	983,439
Uses of financial resources:						
Increase (decrease) in investments	-	( 1,585)	-	( 10,795)	30,102	1,720
Increase (decrease) in receivables	( 1,482)	257	565	( 190)	19,066	( 716)
Increase (decrease) in due from other funds	( 26,832)	3,129	-	-	( 6,017)	( 29,720)
Increase (decrease) in inventory	1,354	-	972	-	269	7,534
Increase (decrease) in restricted and other assets	( 50,538)	( 4,403)	264,074	( 458)	11,281	( 15,399)
Acquisition of fixed assets	389,452	12,398	149,583	59,181	29,374	639,988
Retirement of bonds and notes payable	267,395	9,280	4,051	2,790	-	250,144
Total uses of financial resources	579,349	19,076	419,245	50,528	84,075	951,948
Increase (decrease) in cash and short term investments	\$ 25,428	(\$ 9,323)	\$ 7,669	\$ 5,900	(\$ 2,631)	\$ 31,491

See notes to general purpose financial statements.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

FIDUCIARY FUNDS



COMMONWEALTH OF MASSACHUSETTS

EXPENDABLE TRUST FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1989

(Amounts in thousands)

ASSETS

Cash and short term investments  
Amounts on deposit with U.S. Treasury  
Receivables, net of allowance for  
uncollectibles:  
    Other receivables  
Total assets

Expendable Trust	Purchasing Supply	Purchasing Surplus	Unemployment Compensation	Totals	
				1989	1988
\$168,188	\$-	\$-	\$-	\$ 168,188	\$ 161,161
-	-	-	1,102,728	1,102,728	1,145,824
27,405	-	-	119,479	146,884	128,640
<u>\$195,593</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,222,207</u>	<u>\$1,417,800</u>	<u>\$1,435,625</u>

LIABILITIES AND FUND EQUITY

Liabilities:  
Deficiency in cash and short term investments  
Accounts payable  
Other accrued liabilities  
Deferred revenue  
Agency liabilities  
Total liabilities

\$-	\$642	\$420	\$ 3,805	\$ 4,867	\$ 4,966
19,168	-	-	27,294	46,462	36,771
10,356	-	40	-	10,396	20,366
-	-	-	3,638	3,638	1,186
791	-	-	-	791	1,017
<u>30,315</u>	<u>642</u>	<u>460</u>	<u>34,737</u>	<u>66,154</u>	<u>64,306</u>

Fund equity:

Fund balances (deficit):  
    Reserved for unemployment benefits  
    Unreserved  
Total fund equity (deficit)  
Total liabilities and fund equity

-	(642)	-	1,187,470	1,187,470	1,238,428
165,278	(642)	(460)	-	164,176	132,891
<u>165,278</u>	<u>(642)</u>	<u>(460)</u>	<u>1,187,470</u>	<u>1,351,646</u>	<u>1,371,319</u>
<u>\$195,593</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,222,207</u>	<u>\$1,417,800</u>	<u>\$1,435,625</u>

See notes to general purpose financial statements.

## COMMONWEALTH OF MASSACHUSETTS

## EXPENDABLE TRUST FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Expendable Trusts	Purchasing Supply	Purchasing Surplus	Unemployment Compensation	Totals
	1989	1988	1989	1988	1989
Revenues:					
Taxes	\$ 11	\$ -	\$ -	\$ 479,259	\$ 479,270
Federal grants and reimbursements	852	-	-	-	852
Departmental	210,446	1,265	-	-	211,711
Miscellaneous	65,331	-	256	102,593	168,180
Total revenues	286,640	1,265	256	581,852	869,013
Other financing sources:					
Transfers in	10,065	-	-	-	10,065
Total revenues and other sources	296,705	1,265	256	581,852	879,078
Expenditures:					
Judiciary	46	-	-	-	46
Treasurer and Receiver - General	8	-	-	-	8
Auditor of the Commonwealth	7	-	-	-	7
Attorney General	247	-	-	-	247
Ethics Commission	10	-	-	-	10
District Attorney	326	-	-	-	326
Administration and Finance	8,915	1,087	389	-	10,391
Environmental affairs	2,735	-	-	-	2,735
Communities and development	553	-	-	-	553
Human services	10,325	-	-	-	10,325
Transportation and construction	1,451	-	-	-	1,451
Education	4,647	-	-	-	4,647
Higher education	209,794	-	-	-	209,794
Public safety	1,019	-	-	-	1,019
Economic affairs	3,640	-	-	-	3,640
Elder affairs	95	-	-	-	95
Consumer affairs	1,637	-	-	-	1,637
Energy resources	10	-	-	-	10
Labor	9,351	-	-	-	9,351
Total expenditures	254,810	1,087	389	632,810	859,104
Other financing uses:					
Transfers out	8,560	-	87	-	8,647
Total expenditures and other financing uses	263,370	1,087	476	632,810	867,753
Excess (deficiency) of revenues and other sources over expenditures and other uses	31,327	178	(220)	(50,958)	105,227
Fund equity (deficit) at beginning of year	133,951	(820)	(240)	1,238,428	1,371,319
Fund equity (deficit) at end of year	\$165,278	(\$ 642)	(\$ 460)	\$1,187,470	\$1,371,319

See notes to general purpose financial statements.



## COMMONWEALTH OF MASSACHUSETTS

## PENSION TRUST FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 1989

(Amounts in thousands)

	ASSETS			LIABILITIES AND FUND EQUITY		
	State Employees' Annuities	State Employees' Retirement Military Accumulation	Teachers' Annuities	Teachers' Retirement Military Accumulation	Pension Reserve	Totals
	1989	1989	1988	1989	1988	1988
Cash and short term investments	\$ -	\$ -	\$ 59,597	\$ 537	\$ -	\$ 54,884
Investments	2,338,622	-	2,430,480	-	2,636,236	6,314,185
Receivables, net of allowance for uncollectibles:	-	-	25,573	-	-	24,269
Other receivables	-	-	-	-	-	-
Total assets	\$2,338,622	\$ 11	\$2,515,650	\$537	\$2,636,236	\$6,393,338
Liabilities:						
Deficiency in cash and short term investments	\$ 30,243	\$ -	\$ -	\$ -	\$ 50,907	\$ 130,437
Accounts payable	981	-	170	-	-	6,597
Due to other funds (cities and towns share of pension reserve investment trust)	-	-	-	-	282,341	237,308
Total liabilities	31,224	-	170	-	333,248	374,342
Fund equity:						
Reserved for pension benefits	2,307,398	11	2,515,480	537	2,302,988	6,018,996
Total liabilities and fund equity	\$2,338,622	\$ 11	\$2,515,650	\$537	\$2,636,236	\$6,393,338

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS

PENSION TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	State Employees' Annuities	State Employees' Retirement Military Accumulation	Teachers' Annuities	Teachers' Retirement Military Accumulation	Pension Reserve	Totals
						1989
						1988
Revenues:						
Employee contributions	\$ 192,332	\$ -	\$ 126,004	\$ -	\$ 12,980	\$ 331,316
Investment earnings	331,501	-	283,947	36	315,840	931,324
Total revenues	523,833	-	409,951	36	328,820	1,262,640
Other financing sources:						
Transfers in	-	-	-	-	54,149	54,149
Total revenues and other sources	523,833	-	409,951	36	382,969	1,316,789
Expenses:						
Payments to beneficiaries and cities and towns	84,185	-	49,539	-	45,033	178,757
Other financing uses:						
Transfers out	18,975	-	10,891	748	-	30,614
Total expenditures and other uses	103,160	-	60,430	748	45,033	209,371
Net income (loss)	420,673	-	349,521	( 712)	337,936	1,107,418
fund equity at beginning of year	1,886,725	11	2,165,959	1,249	1,965,052	6,018,996
fund equity at end of year	\$2,307,398	\$ 11	\$2,515,480	\$ 537	\$2,302,988	\$7,126,414
						\$6,018,996

See notes to general purpose financial statements.



COMMONWEALTH OF MASSACHUSETTS

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
<u>Agency fund:</u>				
Liabilities due depositors	\$1,763,482	\$ 390,875	\$ 9,519	\$2,144,838
Abandoned property	16,936	59,472	50,947	25,461
Court escrow deposits	34,526	31,074	23,124	42,476
Payroll withholdings	1,532	599,463	592,326	8,669
Child support enforcement	2,841	73,409	74,630	1,620
Local option taxes	8,016	92,346	91,085	9,277
Lottery prizes payable	584,361	175,873	63,234	697,000
Pension assets held for cities and towns	237,308	45,033		282,341
Other agency	<u>150</u>	<u>26,515</u>	<u>25,972</u>	<u>693</u>
Totals	<u>\$2,649,152</u>	<u>\$1,494,060</u>	<u>\$930,837</u>	<u>\$3,212,375</u>

See notes to general purpose financial statements.





COMMONWEALTH  
OF  
MASSACHUSETTS

Financial Section: Budgetary Basis

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Touche**

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Independent Auditor's Report

Mr. William Kilmartin, Comptroller  
The Commonwealth of Massachusetts

We have audited the accompanying general purpose financial statements - budgetary basis of the Commonwealth of Massachusetts as of June 30, 1989, and for the year then ended as listed in the table of contents under the financial section - budgetary basis. These general purpose financial statements - budgetary basis are the responsibility of the Commonwealth of Massachusetts' management. Our responsibility is to express an opinion on these general purpose financial statements - budgetary basis based on our audit. We did not audit the financial statements of the Pension Reserve Investment Trust, an investment vehicle for certain of the Commonwealth of Massachusetts' Pension Trust Funds, the financial statements of which reflect 28 and 20 percent, respectively, of the assets and revenues of the Trust and Agency Funds Type. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Trust and Agency Funds Types referred to above, is based solely on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements - budgetary basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements - budgetary basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to audit the financial data presented in the General Fixed Asset Account Group. As described in Note 6, the Commonwealth of Massachusetts does not maintain its general fixed assets accounting systems and records in a manner that meets the standards required by generally accepted accounting principles.

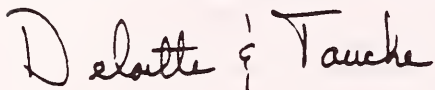
As described in Note 2, the Commonwealth prepares its general purpose financial statements - budgetary basis on a prescribed basis of accounting that demonstrates compliance with the General Laws and budgetary principles and funds of the Commonwealth of Massachusetts which is a comprehensive basis of accounting other than generally accepted accounting principles.

Page Two

In our opinion, based upon our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the General Fixed Asset Account Group, the general purpose financial statements - budgetary basis referred to above present fairly, in all material respects, the financial position of the Commonwealth of Massachusetts as of June 30, 1989, and the results of its operations for the year then ended, on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements - budgetary basis taken as a whole. The combining and individual fund financial statements - budgetary basis listed in the table of contents under the financial section - budgetary basis are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements - budgetary basis of the Commonwealth of Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements - budgetary basis and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements - budgetary basis taken as a whole.

We did not audit the data included in the statistical section of this report and, accordingly, we express no opinion on such data.

A handwritten signature in cursive script that reads "Deloitte & Touche". The signature is written in dark ink and is positioned above the printed name of the firm.

Certified Public Accountants  
December 15, 1989





## COMMONWEALTH OF MASSACHUSETTS

COMBINED BALANCE SHEET - BUDGETARY BASIS -  
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1989

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type		Account Groups			Totals	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency		General Fixed Assets	General Long term Obligations		1989	1988
<b>ASSETS</b>											
Cash and short term investments	\$ 98,349	\$481,404	\$38,048	\$ -	\$ 125,677		\$ -	\$ -		\$ 743,478	\$ 1,048,438
Amount on deposit with U.S.	-	-	-	-	-		-	-		-	-
Treasury	-	-	-	-	1,102,728		-	-		1,102,728	1,145,824
Investments	-	-	-	-	7,405,338		-	-		7,405,338	6,314,185
Advances to MBIA	179,445	-	-	-	-		-	-		179,445	137,444
Securities on deposit	-	-	-	-	866,274		-	-		866,274	786,601
Receivables, net of allowance for uncollectibles:											
Due from federal government	94,539	19,656	-	24,689	-		-	-		138,884	118,872
Other receivables	10,817	21,238	-	-	886		-	-		32,941	32,994
Due from cities and towns	115,774	-	-	-	-		-	-		115,774	106,000
Due from other funds	-	2,500	-	-	-		-	-		2,500	-
Fixed assets:											
Land	-	-	-	-	-		579,619	-		579,619	579,619
Buildings	-	-	-	-	-		1,512,399	-		1,512,399	1,512,399
Machinery and equipment	-	-	-	-	-		500,110	-		500,110	532,913
Amount to be provided for retirement of long term obligations	-	-	-	-	-		-	5,531,638		5,531,638	4,390,284
<b>Total assets</b>	<b>\$498,924</b>	<b>\$524,798</b>	<b>\$38,048</b>	<b>\$24,689</b>	<b>\$9,500,903</b>		<b>\$2,682,128</b>	<b>\$5,531,638</b>		<b>\$18,801,128</b>	<b>\$16,705,573</b>

COMMONWEALTH OF MASSACHUSETTS  
COMBINED BALANCE SHEET - BUDGETARY BASIS -  
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1989

(Amounts in thousands)

(Continued)

LIABILITIES AND FUND EQUITY	Governmental Fund Types				Sudiciary Fund Type	Account Groups		Totals		
	General	Special Revenue	Debt Service	Capital Projects		Trust and Agency	General Fixed Assets	Long term Obligations	1989	1988
Liabilities:										
Deficiency in cash and short term investments	\$ -	\$ -	\$ -	\$234,345	\$ -	\$ -	\$ -	\$ 234,343	\$ 631,346	
Accounts payable	463,605	298,299	-	171,941	5,400	-	-	939,245	875,828	
Accrued payroll	36,277	7,187	-	619	271	-	-	44,354	-	
Bonds matured, not redeemed	-	-	38,048	-	-	-	-	38,048	4,772	
Liabilities due depositors	-	-	-	-	1,238,281	-	-	1,238,281	1,031,039	
Due to cities and town	-	304,689	-	-	-	-	-	304,689	-	
Due to other funds	-	2,500	-	-	-	-	-	2,500	-	
Bonds and notes payable	107,000	-	-	36,100	-	-	-	5,674,738	4,600,084	
Total liabilities	606,882	612,675	38,048	443,005	1,243,952	-	-	8,476,198	7,143,069	
Fund equity:										
Investment in general fixed assets	-	-	-	-	-	2,682,128	-	2,682,128	2,624,931	
Fund balances (deficit):										
Reserved for:										
Unemployment benefits	-	-	-	-	1,098,923	-	-	1,098,923	1,141,911	
Pension benefits	-	-	-	-	7,101,714	-	-	7,101,714	5,994,727	
Unreserved:										
Designated for continuing accounts	118,663	143,153	-	-	-	-	-	261,816	369,648	
Designated for specific purpose	-	-	-	-	56,314	-	-	56,314	59,590	
Designated for program	-	-	-	-	-	-	-	-	-	
Stabilization	-	-	-	-	-	-	-	-	112,312	
Undesignated	(226,621)	(231,030)	-	(418,314)	-	-	-	(875,965)	(740,615)	
Total fund equity (deficit)	(107,958)	(87,877)	-	(418,314)	8,256,951	2,682,128	-	10,324,930	9,562,504	
Total liabilities and fund equity	\$498,924	\$524,798	\$38,048	\$ 24,689	\$9,500,903	\$2,682,128	\$5,531,638	\$18,801,128	\$16,705,573	

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Dr.)	
	General	Special Revenue	Debt Service	Capital Projects		1989	1988
Revenues:							
Taxes	\$5,619,419	\$3,239,694	\$ -	\$ -	\$ 485,945	\$ 9,345,058	\$ 8,734,427
Assessments	160,432	37,625	-	-	852	198,909	148,946
Federal grants and reimbursements	1,516,394	915,924	-	232,493	-	2,666,811	2,425,461
Departmental	-	1,762,173	-	261	3,427	2,223,064	2,072,155
Miscellaneous	124,853	49,887	-	53	168,583	343,376	333,715
Total revenues	7,880,301	6,005,303	-	232,807	658,807	14,777,218	13,714,704
Other financing sources:							
Proceeds of general obligation bonds	-	-	-	1,415,053	-	1,415,053	576,352
Proceeds of refunding bonds	237,971	490,070	226,450	-	-	226,450	-
Transfers in	8,749	( 2,335)	582,217	28,407	10,065	1,348,730	1,416,889
Accounts payable balances reverted	-	77	-	14	-	6,414	85,112
Other sources	( 430)	-	-	-	-	( 339)	18,986
Total other financing sources	246,290	467,812	808,667	1,443,474	10,065	2,996,308	2,097,339
Total revenues and other sources	8,126,591	6,493,115	808,667	1,676,281	668,872	17,773,526	15,812,043
Expenditures:							
Legislature	49,289	-	-	771	-	50,060	48,273
Inspector General	1,378	-	-	-	-	1,378	1,203
Judiciary	78,975	227,941	-	1,095	45	308,056	251,611
Executive	5,937	-	-	379	-	6,316	5,830
Secretary of the Commonwealth	13,341	580	-	2,000	-	15,921	13,208
Treasurer and Receiver - General	86,851	2,051,727	-	-	8	2,138,586	2,011,171
Auditor of the Commonwealth	15,102	-	-	-	7	15,109	12,495
Attorney General	19,460	-	-	-	-	20,722	21,197
Ethics commission	1,025	1,015	-	-	10	1,035	982
District Attorney	12,819	35,231	-	-	309	48,359	81,836
Administration and finance	805,639	139,204	-	242,718	5,555	1,193,116	1,117,344
Environmental affairs	74,672	107,891	-	312,449	2,689	497,701	419,431
Communities and development	187,525	214,620	-	202,279	539	604,963	481,072
Human services	5,025,050	290,006	-	18,576	9,822	5,343,454	4,684,784
Transportation and construction	339,094	154,593	-	410,856	1,462	906,005	711,335

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		1989	1988
Expenditures (continued):							
Education	71,048	1,977,971	-	4,153	4,907	2,058,079	1,955,046
Higher education	743,341	8,528	-	26,407	37,356	815,632	809,915
Public safety	38,612	112,056	-	3,223	993	154,886	162,979
Economic affairs	53,215	140,183	-	-	635,571	828,969	655,497
Elder affairs	144,529	25,394	-	-	95	170,018	159,940
Consumer affairs	25,039	3,600	-	14	1,478	30,131	30,662
Energy resources	24,523	15,463	-	2,379	10	20,395	18,987
Labor	22,987	1,637	-	20	8,643	33,267	28,502
Pension	8,137	19,979	-	2,500	-	30,216	30,216
Independent commissions	226,114	410,028	-	-	-	636,142	551,974
Debt service:							
Principal retirement	17,923	-	286,564	-	-	304,487	281,238
Interest and fiscal charges	53,429	-	295,012	-	-	348,441	287,227
Total expenditures	8,121,034	5,937,667	581,576	1,229,819	709,746	16,579,842	14,833,955
Other financing uses:							
Transfers out:							
Payments to refunded bonds escrow							
Agent	-	-	226,450	-	-	226,450	-
Debt service - principal	201,398	85,166	-	-	-	286,564	269,479
Debt service - interest	206,130	89,523	-	-	-	295,653	269,735
Pension	7,978	15,557	-	-	-	23,535	48,226
Fund deficit support	-	-	-	-	-	-	231,027
Other	20,069	686,173	14,832	36,776	8,647	766,497	646,639
Total other financing uses	435,575	876,419	241,282	36,776	8,647	1,598,699	1,480,030
Total expenditures and other uses	8,556,609	6,814,086	822,858	1,266,595	718,393	18,178,541	16,313,985
Excess (deficiency) of revenues and other sources over expenditures and other uses	( 430,018)	( 320,971)	( 14,191)	409,686	( 49,521)	( 405,015)	( 501,942)
Fund equity (deficit) at beginning of year	322,060	233,094	14,191	( 828,000)	1,193,807	935,152	1,437,094
- Fund equity (deficit) at end of year	( \$ 107,958)	( \$ 87,877)	\$ -	( \$ 418,314)	\$ 1,144,286	\$ 530,137	\$ 935,152

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY — BUDGETARY BASIS —  
BUDGET AND ACTUAL — GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1982

(Amounts in thousands)

	General Fund		Special Revenue Funds				Totals	
	Budget	Actual	Budget	Actual	Variance Favorable (Unfavorable)	Total (Memorandum Only)	Budget	Actual
Revenues:								
Taxes	85,619,419	85,619,419	83,230,001	83,230,001	8	8	8,849,420	8,849,420
Assessments	160,432	160,432	4,005	4,005	-	-	164,437	164,437
Federal grants and reim-								
bursments	1,518,394	1,518,394	23,564	23,564	-	-	1,541,958	1,541,958
Departmental	457,203	457,203	297,711	297,711	-	-	754,914	754,914
Miscellaneous	124,653	124,653	28,449	28,449	-	-	153,102	153,102
Total revenues	7,880,301	7,880,301	3,503,730	3,503,730	-	-	11,444,031	11,444,031
Other financing sources:								
Transfers in	237,971	237,971	487,407	487,407	-	-	725,378	725,378
Accounts payable balances	8,749	8,749	( 2,299)	( 2,299)	-	-	6,450	6,450
reverted	( 430)	( 430)	43	43	-	-	( 387)	( 387)
Other sources	-	-	-	-	-	-	-	-
Total other financing	246,290	246,290	485,151	485,151	-	-	731,441	731,441
sources								
Total revenues and other	8,126,591	8,126,591	4,068,881	4,068,881	-	-	12,195,472	12,195,472
sources								
Expenditures:								
Legislature	54,894	49,289	-	-	-	-	54,894	49,289
Inspector General	1,393	1,378	-	-	-	-	1,393	1,378
Judiciary	79,848	78,975	873	873	2,482	2,482	310,263	306,908
Executive	6,518	5,937	230,415	227,933	-	-	6,518	5,937
Secretary of the Commonwealth	14,554	13,341	-	-	-	-	14,554	13,341
Treasurer and Receiver -								
General	80,662	86,851	1,072,695	1,072,640	55	55	1,161,357	1,159,491
Auditor of the Commonwealth	13,139	13,102	-	-	-	-	13,139	13,102
Attorney General	19,605	19,660	902	877	25	25	20,507	20,537
Ethics commission	1,049	1,025	-	-	-	-	1,049	1,025
District Attorney	14,823	12,819	35,244	34,030	1,214	1,214	49,867	46,849
Administration and finance	851,744	805,639	123,820	119,837	3,983	3,983	975,564	925,496
Environmental affairs	76,159	74,672	94,815	90,202	4,613	4,613	172,074	164,874
Communities and development	208,269	187,525	62,244	64,391	17,853	17,853	270,513	231,916
Human services	5,148,740	5,025,050	19,155	17,810	1,345	1,345	5,167,895	5,042,860
Transportation and								
construction	340,707	339,094	162,768	151,641	11,127	11,127	503,475	490,735
Education	80,206	71,048	1,765,540	1,730,685	34,855	34,855	1,845,746	1,801,733



## COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	General Fund		Variance Favorable (Unfavorable)	Special Revenue Funds		Variance Favorable (Unfavorable)	Totals (Memorandum Only)		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual		Budget	Actual	
Expenditures (continued):									
Higher education	767,111	743,341	23,770	28	28	-	767,139	743,369	23,770
Public safety	42,151	38,612	3,539	98,595	97,011	1,584	140,746	135,623	5,123
Economic affairs	55,068	53,215	1,853	9,294	8,555	739	64,362	61,770	2,592
Elder affairs	146,866	144,529	2,337	-	-	-	146,866	144,529	2,337
Consumer affairs	26,553	25,039	1,514	3,576	3,454	122	30,129	28,493	1,636
Energy resources	2,706	2,523	183	47,671	14,767	32,904	50,377	17,290	33,087
Labor	24,327	22,967	1,360	886	840	46	25,213	23,807	1,406
Independent commissions	8,245	8,137	108	17,597	17,596	1	25,842	25,733	109
Pension	226,334	226,114	220	410,118	410,028	90	636,452	636,142	310
Debt service:									
Principal retirement	17,923	17,923	-	-	-	-	17,923	17,923	-
Interest and fiscal charges	51,287	53,429	(2,142)	-	-	-	51,287	53,429	(2,142)
Total expenditures	8,370,681	8,121,034	249,647	4,155,363	4,042,345	113,018	12,526,044	12,163,379	362,665
Other financing uses:									
Transfers out:									
Debt service-principal	201,398	201,398	-	83,281	85,166	(1,885)	284,679	286,564	(1,885)
Debt service-interest	208,669	206,130	2,539	88,252	89,522	(1,270)	296,921	295,652	1,269
Pension	7,978	7,978	-	15,557	15,557	-	23,535	23,535	-
Other	24,684	20,069	4,615	40,371	114,797	(74,426)	65,055	134,866	(69,811)
Total other financing uses	442,729	435,575	7,154	227,461	305,042	(77,581)	670,190	740,617	(70,427)
Total expenditures and other uses	8,813,410	8,556,609	256,801	4,382,824	4,347,387	35,437	13,196,234	12,903,996	292,238
Excess of expenditures and other uses over revenues and other sources	(686,819)	(430,018)	256,801	(313,943)	(278,506)	35,437	(1,000,762)	(708,524)	292,238
Fund equity at beginning of year	322,060	322,060	-	102,783	102,783	-	424,843	424,843	-
Fund deficit at end of year	(\$ 364,759)	(\$ 107,958)	(\$256,801)	(\$ 211,160)	(\$ 175,723)	\$ 35,437	(\$ 575,919)	(\$ 283,681)	\$292,238

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
NONEXPENDABLE TRUST FUNDS AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	<u>Fiduciary Fund Type</u>		<u>Totals</u>	
	<u>Non-</u>	<u>Pension</u>	<u>(Memorandum Only)</u>	
	<u>expendable</u>	<u>Trust Funds</u>	<u>1989</u>	<u>1988</u>
Revenues:				
Employee contributions	\$ -	\$ 330,885	\$ 330,885	\$ 301,411
Investment earnings	-	931,324	931,324	134,601
Departmental	26	-	26	72
Other revenue	<u>3,386</u>	<u>-</u>	<u>3,386</u>	<u>145</u>
Total revenues	<u>3,412</u>	<u>1,262,209</u>	<u>1,265,621</u>	<u>436,229</u>
Other financing sources:				
Transfers in	-	23,535	23,535	48,226
Accounts payable balance reverted	<u>-</u>	<u>-</u>	<u>-</u>	<u>61</u>
Total other sources	<u>-</u>	<u>23,535</u>	<u>23,535</u>	<u>48,287</u>
Total revenues and other sources	<u>3,412</u>	<u>1,285,744</u>	<u>1,289,156</u>	<u>484,516</u>
Expenses:				
Environmental affairs	139	-	139	169
Payments to beneficiaries and cities and towns	<u>-</u>	<u>178,757</u>	<u>178,757</u>	<u>161,436</u>
Total expenses	<u>139</u>	<u>178,757</u>	<u>178,896</u>	<u>161,605</u>
Other financing uses:				
Transfers out	<u>16</u>	<u>-</u>	<u>16</u>	<u>9</u>
Total expenses and other uses	<u>155</u>	<u>178,757</u>	<u>178,912</u>	<u>161,614</u>
Net income	3,257	1,106,987	1,110,244	322,902
Fund equity at beginning of year	<u>7,694</u>	<u>5,994,727</u>	<u>6,002,421</u>	<u>5,679,519</u>
Fund equity at end of year	<u>\$10,951</u>	<u>\$7,101,714</u>	<u>\$7,112,665</u>	<u>\$6,002,421</u>

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF CHANGES IN  
FINANCIAL POSITION - BUDGETARY BASIS -  
NONEXPENDABLE TRUST FUNDS AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	<u>Fiduciary Fund Type</u>		<u>Totals</u>	
	<u>Non-</u>	<u>Pension</u>	<u>(Memorandum Only)</u>	
	<u>expendable</u>	<u>Trust Funds</u>	<u>1989</u>	<u>1988</u>
Sources of financial resources:				
Operations:				
Net income	\$3,257	\$1,106,987	\$1,110,244	\$322,902
Decrease in due from other funds	-	-	-	14,151
Increase in accounts payable	22	21	43	3,887
Increase in due to other funds	-	45,033	45,033	41,041
Total sources of financial resources	<u>3,279</u>	<u>1,152,041</u>	<u>1,155,320</u>	<u>381,981</u>
Uses of financial resources:				
Increase in investments	-	1,091,153	1,091,153	520,660
Increase in other receivables	-	873	873	
Decrease in accounts payable	-	5,467	5,467	61
Total uses of financial resources	<u>-</u>	<u>1,097,493</u>	<u>1,097,493</u>	<u>520,721</u>
Increase (decrease) in cash and short term investments	<u>\$3,279</u>	<u>\$ 54,548</u>	<u>\$ 57,827</u>	<u>(\$138,740)</u>

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 19891. Financial Statement Presentation:Introduction -

The accompanying general purpose financial statements - budgetary basis of the Commonwealth of Massachusetts (the Commonwealth) are presented as part of the requirement of Section 12 of Chapter 7A of the General Laws.

Reporting entity -

The general purpose financial statements - budgetary basis presented in this section include all funds and account groups of the Commonwealth of Massachusetts as recorded by the Office of the Comptroller in compliance with the General Laws and in accordance with the Commonwealth's budgetary principles and funds. The general purpose financial statements - budgetary basis are not intended to include independent authorities and other organizations which may be included in the reporting entity as component units under generally accepted accounting principles (GAAP).

Fund accounting -

The Commonwealth records its transactions in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have been eliminated. The fund types and account groups are organized as follows:

Governmental Fund Types -

Governmental Funds support the governmental functions of the Commonwealth.

General Fund - is the primary operating fund of the Commonwealth. It is used to account for current financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - are used to account for specific revenue sources and financial uses that are segregated per state finance law from the General Fund. For example, the Highway, Local Aid, Federal Grants and Lottery Funds support governmental activity but are segregated from the General Fund. Many, but not all, of the Special Revenue Funds are included in the annual appropriations process.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

1. Financial Statement Presentation (Continued):Governmental Fund Types (continued) -

Debt Service Funds - are used to account for the accumulation of resources and the future payment of general long term debt principal and interest, except for mini bond payments which are made from the General Fund.

Capital Projects Funds - are used to account for financial resources to be used for the acquisition or construction of major capital assets. Bond proceeds are generally received after the expenditure has been incurred. Accordingly, the fund equity of the capital projects funds reflects a deficit.

Fiduciary Fund Types -

Fiduciary Funds - are used to account for assets held by the Commonwealth in a trustee capacity (Trust Funds), or as an agent (Agency Funds) for individuals, private organizations, other governmental units, and/or other funds.

Expendable Trust Funds - include the Unemployment Compensation Fund, which accounts for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed.

Pension Trust Funds - include the State Employees and Teachers Annuities Funds, the State Employees and Teachers Retirement Military Accumulation Funds and the Pension Reserve Fund.

Account Groups -

Account Groups - are used to establish control and accountability over the Commonwealth's general fixed assets and long term obligations. The Commonwealth's account groups are as follows:



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

1. Financial Statement Presentation (Continued):Account Groups (continued) -

General Fixed Assets Account Group - is used to account for general fixed assets. General fixed assets are recorded as expenditures in the appropriate governmental fund and capitalized in the General Fixed Assets Account Group in the year purchased. Land and buildings are recorded at their most recent locally assessed valuations (June 30, 1984) while machinery and equipment are recorded at cost or estimated cost. Infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) has not been capitalized. No depreciation is provided on general fixed assets.

General Long Term Obligations Account Group - is used to account for general long term obligation bonds payable.

2. Summary of Significant Accounting Policies:

The general purpose financial statements - budgetary basis are prepared from the Commonwealth's books and records and other official reports which are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (budgetary basis). Accordingly, the combined financial statements - budgetary basis are not intended to present the financial condition and results of operations in conformity with generally accepted accounting principles (GAAP).

The accounting policies followed in preparing the accompanying general purpose financial statements - budgetary basis are described below.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):Budgetary basis of accounting -

Budgets are adopted in accordance with a statutory basis of accounting which is not in accordance with GAAP. The budgetary basis financial statements also follow the statutory basis of accounting. Under the statutory basis of accounting, revenues, except for reimbursements from other governments, are recognized when received. Federal reimbursements are recognized when related expenditures are incurred. Expenditures are recorded when the related cash disbursement occurs. However, at year end, payroll is accrued and payables are recorded when there are approved encumbrances and the goods or services have been received by June 30. Expenditures for the Medicaid program, financial assistance to the Massachusetts Transit Authorities, amounts for claims and judgments and certain other amounts are recorded when paid.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve during the year that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end have materially lapsed.

Budgets are enacted for the General and certain Special Revenue Funds. For these funds budget and actual statements are presented. The Special Revenue Funds with individual budget and actual statements are Highway, Local Aid, Government Land Bank, Victim and Witness Assistance, Mosquito and Greenhead Fly Control, Inland Fisheries and Game, Massachusetts Housing Partnership, Oil Overcharge and Hazardous Waste. The funds presented as "other" budgeted Special Revenue Funds include Freight Rail, Passenger Rail, JFK Library and Park, Anti-Trust Law Enforcement, Non-Game Wildlife, Inter-City Bus Capital Assistance, Federally Assisted Housing Bond Sinking, Motorcycle Safety, Reemployment and Job Placement and Child Abuse Prevention.

Cash and investments -

The Commonwealth follows the practice of pooling cash and cash equivalents of all fund types. Cash equivalents consist of short term investments and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and Expendable Trust Funds.

Pension Trust Funds' investments are stated at market. All other investments are stated at cost.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):Receivables -

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due to the Commonwealth as reimbursement for expenditures on federally funded programs are included as due from the federal government.

Advances to the Massachusetts Bay Transportation Authority (MBTA) -

The Commonwealth periodically provides working capital advances to the MBTA to provide funding for its net cost of service. Such advances will be repaid through future sales of temporary debt, appropriations by the Legislature and reimbursement by the cities and towns for their share of the net cost.

Inventories -

Inventories of materials and supplies are recorded as expenditures in Governmental Fund Types when purchased. Such inventories are not material in total to the general purpose financial statements.

Interfund transactions -

During the course of operations, the Commonwealth has transactions between departments or between funds. Transactions of a buyer/seller nature between departments within a fund are eliminated from the individual fund statements. Transactions between funds which include pooled cash are recorded as adjustments to the funds' cash accounts and, thus, may result in a fund having a deficiency in cash and short term investments at year end.

In fiscal year 1988, the Legislature directed the General Fund to transfer sufficient funds to offset fund deficits in the Local Aid and Highway Funds. These transfers were recorded as Fund Deficit Support. There are no transfers directed in fiscal year 1989 as the General Fund is in a deficit position.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):Interfund transactions (continued) -

Interfund receivables and payables include the following at June 30, 1989  
(amounts expressed in thousands):

## Special Revenue Funds:

## Due from:

Arts and State Lotteries	<u>\$ 2,500</u>
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## Due to:

Local Aid	<u>\$ 2,500</u>
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Chapter 555 Tax Refund -

Chapter 62F as amended by Chapter 555, Acts of 1986 requires separate and distinct presentation of certain state tax revenue calculations. This law puts a cap on tax revenue growth and provides the opportunity for a tax refund to Commonwealth citizens once the cap is reached. The calculation of tax revenue and the tax refund, if any, is audited and certified by the Office of the State Auditor. The certification for fiscal years 1989 and 1988 established that the cap was not realized and that no refunds were due.

Insurance -

The Commonwealth is not insured for casualty, theft, tort claims and other losses. Such losses are recorded as expenditures when measurable and payment is probable.



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

2. Summary of Significant Accounting Policies (Continued):Unreserved fund balances -

Unreserved fund balance is segregated into four separate and distinct components. A brief description of each is as follows:

"Designated for Continuing Accounts" are unexpended amounts in appropriations which are carried over to the next fiscal year. These amounts must either be authorized or be specific projects which were not completed during the current fiscal year.

"Designated for Specific Purpose" is composed of all unreserved fund balances within the Fiduciary Fund Type.

"Designated for Program Stabilization" represents amounts available in the General Fund for future specific appropriations.

"Undesignated" fund balances or deficits consist of the governmental fund type's cumulative surplus or deficit not otherwise designated.

Total columns - memorandum only -

Total columns on the general purpose financial statements - budgetary basis are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. Budgetary Control:

The Governor presents an annual budget to the Legislature representing estimates of revenues, expenditures and other financing sources and uses anticipated during the coming fiscal year. The Constitution of the Commonwealth of Massachusetts requires the Governor to submit to the Legislature budgets for the General and certain Special Revenue Funds as discussed in Note 2. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies in an annual appropriation act. The Governor, before signing the act, may veto any specific item, subject to legislative override. Changes to this budget may be made via supplemental appropriation acts or other legislative acts which must be approved by the Legislature and signed by the Governor.



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

3. Budgetary Control (Continued):

Subsequent to June 30, 1989, the Legislature passed, and the Governor signed, Chapters 070, 142 and 287, Acts of 1989. These Acts included several supplemental budgetary and capital appropriations. For the year ended June 30, 1989, the Legislature approved increases in the original appropriations aggregating approximately \$555,880,000.

The original budgeted revenues as submitted by the Governor are not amended to coincide with any legislative changes to the original expenditure budget, and, therefore, the Commonwealth does not have legally updated budgeted revenue totals for use in the accompanying general purpose financial statements. Accordingly, the Budget and Actual Statements for the General Fund and certain Special Revenue Funds use the actual revenues as the budgeted revenues.

The Commonwealth adopts two types of appropriations in the annual budget. The majority are lapsing appropriations which end each year and require annual reappropriation. The remaining appropriations are continuing appropriations wherein the Legislature, in the subsequent year, approves any unspent funds to be available for spending. Expenditures may not legally exceed the authorized level of spending. In the Budget and Actual Statements for the General Fund and certain Special Revenue Funds, the budget represents the total spending authority, net of amounts carried forward in continuing appropriations for fiscal year 1990.

The Office of the Comptroller has responsibility to ensure that budgetary control is maintained on an individual appropriation account basis. Expenditures or commitments (purchase orders) will not be approved by the Comptroller if they exceed the appropriation's total spending limit, which is a combination of authorized appropriations and portions of restricted receipts.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

3. Budgetary Control (Continued):

The following table is a reconciliation of the GAAP and budgetary basis excess (deficiency) of revenues and other financing sources over expenditures and other uses of the General and Special Revenue Funds, highlighting the major differences in the bases of accounting (amounts expressed in thousands):

	<u>General</u>	<u>Budgeted Special Revenue</u>
Deficiency of revenues and other financing sources over expenditures and other uses (budgetary basis)	(\$430,018)	(\$313,943)
Entity differences:		
Excess (deficiency) of revenues and other financing sources over expenditures and other uses for college and university funds	1,472	( 23,971)
Nonbudgeted Special Revenue Funds	-	( 7,028)
Bases of accounting differences:		
Net decrease in taxes receivable	( 70,615)	( 3,440)
Net increase in due from federal government	186,537	64,126
Net decrease in other receivables and asset accruals	( 36,392)	( 57,435)
Net decrease in tax refunds payable	105,747	69,999
Net increase in other payables and accrued liabilities	( 467,998)	( 5,444)
Deficiency of revenues and other financing sources over expenditures and other uses (GAAP basis)	<u>(\$711,267)</u>	<u>(\$277,136)</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

4. Program Stabilization Fund:

The Program Stabilization Fund was created to maintain a reserve from which appropriations may be made for the following specific purposes:

- . To fund the difference between actual and allowable state revenues (as defined by the legislation)
- . To fund the state and local governments for actual reductions in federal financial assistance
- . To provide funds for any event which threatens the health, safety or welfare of the citizens of the Commonwealth
- . To provide funds for an event which threatens the fiscal stability of the Commonwealth or any of its political subdivisions

In the accompanying general purpose financial statements - budgetary basis, the Commonwealth has accounted for this fund as part of the General Fund. The legislation limits the General Fund, Highway Fund and Local Aid Fund budgetary basis undesignated fund balances to 0.5% of the current fiscal year's budgetary basis state tax revenues. Any excess over this amount is transferred to the account "Designated for Program Stabilization." There are no amounts so designated as of June 30, 1989. Pursuant to the requirements of Section 8 of Chapter 287, Acts of 1989, the accumulated balance of the Program Stabilization Fund, as of June 30, 1989, was transferred to the General Fund.

5. Deposits and Investments:

The Commonwealth maintains a cash and short term investment pool that is available for use by all funds. Each fund type's equity in this pool is displayed on the combined balance sheet as cash and short term investments and deficiency in cash and short term investments. In addition, other deposits and investments are separately handled by several of the funds. The deposits and investments of the pooled trusts for the Pension Trust Funds are held separately from those of other state funds.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

5. Deposits and Investments (Continued):

Investments in the Commonwealth's short term investment pool are carried at cost which approximates market. Statutes authorize the Commonwealth to invest in obligations of the U.S. Treasury, authorized bonds of all states, banker's acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure.

The pooled short term investments at June 30, 1989, are as follows (amounts expressed in thousands):

	<u>Carrying value</u>	<u>Market value</u>
Investments:		
Certificates of deposit	\$ 26,735	\$ 26,735
U.S. Treasury obligation	769	769
State Treasurer's investment pool	<u>1,151,715</u>	<u>1,151,715</u>
Total	<u>\$1,179,219</u>	<u>\$1,179,219</u>

COMMONWEALTH OF MASSACHUSETTS

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASIS

FISCAL YEAR ENDED JUNE 30, 1989

(Continued)

5. Deposits and Investments (Continued):

The Pension Trust Funds have invested a significant portion of the net assets available for benefits in two pooled trusts which account for their operations in a manner similar to a mutual fund. The trusts are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. The investments at June 30, 1989, are as follows (amounts expressed in thousands):

	<u>Carrying value</u>	<u>Market value</u>
Investments:		
Equity securities	\$3,100,847	\$3,100,847
U.S. Treasury obligations	856,072	856,072
Fixed income securities	2,315,547	2,315,547
Other	<u>661,753</u>	<u>661,753</u>
	6,934,219	6,934,219
Money market investments	140,999	140,999
Real estate investments	<u>352,395</u>	<u>352,395</u>
Subtotal	7,427,613	7,427,613
Net noninvestment assets of pooled trusts	( <u>22,275</u> )	( <u>22,275</u> )
Total	<u>\$7,405,338</u>	<u>\$7,405,338</u>



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

6. Fixed Assets:General fixed assets -

The following is a statement of changes in general fixed assets for the year ended June 30, 1989 (amounts expressed in thousands):

	Balance July 1, <u>1988</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>1989</u>
Land	\$ 579,619	\$ -	\$ -	\$ 579,619
Buildings	1,512,399	-	-	1,512,399
Machinery and equipment	<u>532,913</u>	<u>75,053</u>	<u>17,856</u>	<u>590,110</u>
Total	<u>\$2,624,931</u>	<u>\$75,053</u>	<u>\$ 17,856</u>	<u>\$2,682,128</u>

The Commonwealth is in the process of upgrading its general fixed assets accounting systems and records to meet the standards required by GAAP. Until the project is satisfactorily completed, it is not practical to conduct an audit of the General Fixed Assets Account Group.

7. Short Term Debt/Lines of Credit:

The Commonwealth has issued temporary notes and advances in anticipation of revenue or bond financing. This short term debt does not meet the long term debt refinancing criteria to be classified as long term debt and is therefore classified among fund liabilities.

General Funds -

The Commonwealth issues temporary notes for the purpose of providing working capital to the Massachusetts Bay Transportation Authority and regional transit authorities. The Commonwealth redeems the temporary notes through payments from cities and towns and future appropriations. Temporary notes outstanding at June 30, 1989, totaled \$107,000,000, with an interest rate of 7.75%.

Capital Projects Funds -

The Commonwealth issues Bond Anticipation Notes for the purpose of financing capital projects in anticipation of future bond offerings. Notes outstanding at June 30, 1989, were \$36,100,000, with interest rates ranging from 5.9% to 6.6%.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

7. Short Term Debt/Lines of Credit (Continued):Line of credit agreements -

In connection with the Commonwealth's financing activities, it has entered into a line of credit agreement with a bank to borrow, on a short term basis up to \$500,000,000. Subsequent to June 30, 1989, the available line was increased to \$1,200,000,000.

The agreement provides for advances, subject to certain limitations, bearing interest at the bank rate, as defined, in anticipation of revenue or bond issuance proceeds. These advances are repayable by September 30, following the advance, or may be converted, at the Commonwealth's option, to term advances. These term advances are repayable over a period of up to two years. In addition, the agreement provides for guarantees of Commonwealth short term borrowings. The combination of advances and guarantees cannot exceed the maximum amount of the line. Certain fees are payable on utilized and unutilized amounts. No amounts were drawn under this agreement during the year ended June 30, 1989.

In addition to the credit line discussed above, the Commonwealth had available an informal, unsecured line of credit arrangement with another bank, with interest charged at the prime rate plus 2%, which was utilized to meet short term operational needs. At June 30, 1989, a total of \$8,000,000 was outstanding under this facility, which was subsequently repaid. The facility had no maximum limit.

Subsequent to June 30, 1989, this informal line was discontinued, and the Commonwealth entered into a line of credit agreement with a third bank, through June 30, 1992, in the amount of \$100,000,000. Interest is charged at the federal funds rate plus 1.5% or prime, whichever is the lesser. A commitment fee is payable quarterly on the excess of the commitment amount, over the average daily outstanding principal amount of draws.

8. Long Term Debt:

General long term obligation bonds of the Commonwealth are authorized and issued primarily to provide funds for state-owned capital projects and local government improvements. Under the Constitution of the Commonwealth of Massachusetts, both Houses of the Legislature approve, by a separate enabling Act, a loan for a specific purpose or objective.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):

Thereafter, the issuance of bonds is made for a specified amount for part or all of the loan authorized by a particular enabling Act.

General obligation bonds are paid from the General and Debt Service Funds, backed by the full faith and credit of the Commonwealth, for the payment of the principal and interest on the bonds.

General long term obligation bonds outstanding and bonds authorized but unissued as of June 30, 1989, are as follows (amounts expressed in thousands):

<u>Purpose</u>	<u>Outstanding</u>		<u>Authorized</u>
	<u>Interest</u>	<u>Amount</u>	<u>unissued</u>
	<u>rates</u>		<u>Amount</u>
General Fund	1.75% to 12.00%	\$3,794,415	\$4,296,872
Government Land Bank	5.00% to 14.10%	17,081	-
Federally Assisted Housing	5.60% to 9.00%	8,722	2,245
Highway Fund	2.90% to 12.00%	1,287,763	686,166
Inland Fisheries and Game	4.60%	100	-
State Recreation Areas	3.20% to 12.00%	65,145	31,782
Metropolitan Parks District	3.25% to 12.00%	77,836	34,704
Metropolitan Sewerage District	1.75% to 9.90%	59,123	-
Metropolitan Water District	.10% to 12.09%	79,130	-
Local Aid	5.00% to 7.50%	139,643	1,241,541
Inter-city Bus	1.75% to 12.00%	2,680	13,500
Environmental Challenge		-	17,000
Total		<u>\$5,531,638</u>	<u>\$6,323,810</u>

COMMONWEALTH OF MASSACHUSETTS

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASIS

FISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):

Changes in bonds authorized - unissued for the year ended June 30, 1989, are as follows (amounts expressed in thousands):

Balance, July 1, 1988	\$7,361,392
Bond issuances (net of discount)	( 1,641,503)
Increase in bonds authorized	620,841
Expiration of authorizations	( 16,920)
Balance, June 30, 1989	<u>\$6,323,810</u>

As of June 30, 1989, general long term obligation bonded debt service requirements to maturity for principal and interest are as follows (amounts expressed in thousands):

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1990	\$ 350,266	\$ 360,101	\$ 710,367
1991	374,605	341,766	716,371
1992	378,231	316,126	694,357
1993	374,039	292,417	666,456
1994	384,437	274,665	659,102
1995 and thereafter	<u>3,670,060</u>	<u>1,548,513</u>	<u>5,218,573</u>
Total	<u>\$5,531,638</u>	<u>\$3,133,588</u>	<u>\$8,665,226</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):

Changes in general long term obligation bonds for the year ended June 30, 1989, are as follows (amounts expressed in thousands):

<u>Fund</u>	<u>Outstanding as of July 1, 1988</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Outstanding as of June 30, 1989</u>	<u>Maturity dates</u>
General	\$2,900,900	\$1,133,000	\$397,800	\$3,636,100	1990-2009
Government Land Bank	20,500	-	3,400	17,100	1990-2007
Federally Assisted					
Housing	8,800	-	100	8,700	1990-2003
Highway	999,800	438,800	150,800	1,287,800	1990-2009
Local Aid	31,200	110,000	1,500	139,700	1990-2009
Inland Fisheries and					
Game	200	-	100	100	1990-1995
State Recreation Areas	<u>64,100</u>	<u>8,400</u>	<u>7,400</u>	<u>65,100</u>	1990-2009
Total direct debt	4,025,500	1,690,200	561,100	5,154,600	
Metropolitan Parks					
District	74,300	11,700	8,200	77,800	1990-2009
Metropolitan Sewerage					
District	65,800	-	6,700	59,100	1990-2015
Metropolitan Water					
District	<u>86,600</u>	<u>-</u>	<u>7,500</u>	<u>79,100</u>	1990-2025
Total district debt	226,700	11,700	22,400	216,000	
General mini bonds	<u>138,084</u>	<u>40,782</u>	<u>17,828</u>	<u>161,038</u>	1990-1994
Total long term debt	<u>\$4,390,284</u>	<u>\$1,742,682</u>	<u>\$601,328</u>	<u>\$5,531,638</u>	

Advance refunding -

During the fiscal year ended June 30, 1989, the Commonwealth advance refunded certain general long term obligation bond issues. The Commonwealth issued \$226,450,187 of general long term obligation refunding bonds to provide resources to purchase U.S.



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

8. Long Term Debt (Continued):Advance refunding (continued) -

Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the General Long Term Obligation Account Group. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$8,073,356 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$11,590,288.

Subsequent to June 30, 1989, the Commonwealth has issued \$252,267,513 of general long term obligation bonds maturing between 1990 and 2009, with interest rates ranging from 6.4% to 7.0%. The Commonwealth has also issued \$1,855,000,000 of Revenue Anticipation Notes, maturing at various times through November 1990, with interest rates ranging from 5.9% to 6.59%.

9. Fund Deficits:

The general purpose financial statements - budgetary basis include six funds with total cumulative fund deficits of \$377,475,000 at June 30, 1989. The following are the individual funds with fund deficits (amounts expressed in thousands):

<u>Fund</u>	<u>Deficit amount</u>
General	\$107,958
Local Aid	255,099
Anti-trust Law Enforcement	517
Federally Assisted Housing	6,501
Government Land Bank	11,505
Inter-city Bus	2,096

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

9. Fund Deficits (Continued):

In addition, substantially all the Capital Projects Funds are in a deficit position, including the General Capital Projects Fund with a deficit of \$241,854,000.

During fiscal year 1990, the Legislature, in order to finance the above fund deficits, enacted a temporary income tax increase that is earmarked to repay short and long term borrowings. These borrowings provide for a maximum of \$475,000,000 of working capital and \$488,000,000 of Medicaid costs. The Commonwealth will continue its program of accelerating the issuance of general long term obligation bonds to fund capital projects.

10. Retirement Systems:

The Commonwealth is responsible for the pension benefits for Commonwealth employees (members of the state employees' retirement system) and for teachers of the cities, towns and regional school districts throughout the Commonwealth (members of the teachers' retirement system, except for teachers in the Boston public schools, who are members of the State-Boston retirement system but whose pensions are also the responsibility of the Commonwealth). Employees of certain independent authorities and agencies, such as the MBTA, and of counties, cities and towns (other than teachers) are covered by separate retirement systems. The members of the retirement systems do not participate in the Social Security System. The Commonwealth has also assumed responsibility for payment of cost-of-living adjustments for local retirement systems.

Plan descriptions -

State Employees' Retirement System (SERS) is a single employer defined benefit public employee retirement system (PERS), covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies.

COMMONWEALTH OF MASSACHUSETTS

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASIS

FISCAL YEAR ENDED JUNE 30, 1989

(Continued)

10. Retirement Systems (Continued):

Teachers' Retirement System (TRS) is a cost-sharing multiple employer defined benefit PERS covering certified teachers in cities (except the City of Boston), towns, regional school districts and Quincy Junior College. The Commonwealth is responsible for all contributions and future benefit requirements of TRS. TRS is administered by the Commonwealth as part of the reporting entity.

State - Boston Retirement System (SBRS) is a cost-sharing multiple employer defined benefit PERS. The Commonwealth is only responsible for the actual cost of pension benefits for SBRS participants who serve in the City of Boston's School Department in a teaching capacity. SBRS is not administered by the Commonwealth, and it is not part of the reporting entity.

Cost of Living Adjustment (COLA) -

The Commonwealth has assumed financial responsibility for the COLA granted participants in retirement systems of cities, towns and counties. Any future COLA granted by the Legislature to employees of these plans will also be the responsibility of the Commonwealth.

Membership -

Current membership in SERS and TRS as of January 1, 1989 is as follows:

	<u>SERS</u>	<u>TRS</u>
Retirees and beneficiaries		
currently receiving benefits	37,409	23,452
Active employees	98,622	64,098

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

10. Retirement Systems (Continued):Benefit provisions -

All PERS in the Commonwealth are established under the Uniform Massachusetts Contributory Retirement System requirements of the General Laws. These requirements provide uniform benefit and contribution requirements for all systems.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80%-85% pension and 15%-20% annuity.

Contributions required and contributions made -

The SERS and TERS are partially funded by employee contributions of regular compensation - 5% for those hired before January 1, 1975, 7% for those hired from January 1, 1975, through December 31, 1983, and 8% for those hired on or after January 1, 1984, plus an additional 2% of compensation above \$30,000 per year for those hired on or after January 1, 1979. These deductions are deposited in the individual pension funds. The annuity portion of the pension allowance is paid from these contributions.

The Commonwealth's contribution to SERS and TRS was originally established on a "pay-as-you-go" basis, meaning that amounts were appropriated each year to pay current benefits and a provision was not made to fully fund future liabilities already incurred. In fiscal 1978,



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

10. Retirement Systems (Continued):Contributions required and contributions made (continued) -

the Commonwealth began to address the unfunded liabilities of the two state systems by making appropriations to a pension reserve. As a result of the passage of the Pension Reform Act of 1987, the Commonwealth is required, beginning in fiscal year 1989, to fund on a current basis the future pension liabilities including the liabilities for future payments of cost-of-living adjustments to local systems and to amortize the unfunded liabilities over 40 years.

This legislation requires the Secretary of Administration and Finance to prepare a funding schedule which will meet these requirements. The funding schedule is to be updated every three years on the basis of new actuarial valuation reports prepared under the direction of the Secretary of Administration and Finance.

The first funding schedule, based on January 1, 1987, data, was filed with the Legislature on March 1, 1988. Any such schedule is subject to legislative approval. However, if a schedule is not approved by the Legislature, payments are to be made in accordance with the most recent approved schedule.

The funding schedule currently in effect required payments of \$618,679,000 by the Commonwealth for the year ended June 30, 1989. During the year ended June 30, 1989, the total of state appropriations and retained revenues amounted to more than was necessary to meet benefit payments, and the excess of \$23,535,000 was transferred to the state's pension reserves.

Actual contributions made during the year ended June 30, 1989, are as follows:

	<u>Employee Contributions</u>	<u>Commonwealth Contributions</u>
SERS	\$192,332,000	\$259,101,123
TRS	125,573,000	237,331,941
SBRS	-	22,425,773
COLA	-	94,927,662
Contributions in excess of funding schedule	-	23,535,226
Total	<u>\$317,905,000</u>	<u>\$637,321,725</u>



COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

10. Retirement Systems (Continued):Contributions required and contributions made (continued) -

In addition, during the year ended June 30, 1989, the Commonwealth has made payments totaling \$22,355,207 to current retirees employed prior to the establishment of the current plans.

Beginning on March 1, 1990, the Secretary of Administration and Finance must also file with the Legislature accelerated funding schedules that do not take into account either additional appropriations which have been made in excess of obligatory funding schedule requirements or investment earnings that exceed the interest rate assumptions upon which the funding schedule is based. The Governor is required to recommend appropriations sufficient to meet such an accelerated schedule.

Pension Reserve Fund -

Under the Massachusetts Contributory Retirement System requirements, the SERS and TRS account for the participants' contributions and related investment earnings. The Pension Reserve Fund is used to accumulate reserves to meet future pension liabilities of the two state systems.

As discussed above, the Pension Reserve Fund is used to reduce the Commonwealth's unfunded liability. This fund receives money from:

- direct state appropriation above the funding schedule
- excess earnings in the State system
- withdrawal penalties on members leaving state employment with less than 10 years of service
- amounts available from federal grant funds for pension fringe benefits
- amounts from the funding schedule in excess of pension payments

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

10. Retirement Systems (Continued):Subsequent event -

The Commonwealth has adopted legislation to fund, through pension funding grants, the unfunded pension liability of nonstate PERS that elect to accept the provisions of such legislation (the "Funding Systems"). Any system that becomes a Funding System is required to establish a funding schedule designed to amortize its unfunded actuarial liability to zero over a period of 40 years.

Such pension funding grants are scheduled to commence at the beginning of the fiscal year ended June 30, 1990, and will continue for 15 years. As of June 30, 1989, 11 systems have elected to adopt the provisions of the legislation. Amounts to be paid in fiscal year 1990 by the Commonwealth are not determinable.

11. Commitments:

The Commonwealth's future minimum rental commitments for office space and equipment leases accounted for as operating leases at June 30, 1989, are as follows (amounts expressed in thousands):

<u>Year ending June 30</u>	<u>*Office space</u>	<u>Equipment</u>	<u>Total</u>
1990	\$ 50,575	\$31,445	\$ 82,020
1991	40,902	24,457	65,359
1992	29,756	16,763	46,519
1993	21,088	7,941	29,029
1994	6,291	1,934	8,225
1995 and thereafter	<u>1,172</u>	<u>118</u>	<u>1,290</u>
	<u>\$149,784</u>	<u>\$82,658</u>	<u>\$232,442</u>

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

11. Commitments (Continued):

The Commonwealth has acquired equipment under Tax Exempt Lease Purchase and Certificate of Participation agreements. Total payments under such agreements in the fiscal year ended June 30, 1989 were \$13,988,000. The Commonwealth's future obligation under such agreements is \$63,914,000. The liability for these leases has not been recorded in the General Long Term Obligations Account Group.

The Commonwealth also rents space on a monthly basis as a tenant-at-will. It is likely the Commonwealth will continue to rent some or all of this space in subsequent fiscal years. Total rental payments under tenancies-at-will in the fiscal year ended June 30, 1989, were approximately \$7,152,000.

The Commonwealth is obliged to pay the Massachusetts Bay Transportation Authority (MBTA) and the regional transit authorities for their net cost of service (current expenses, including interest on debt, minus current income) and to advance funds sufficient to meet outstanding bonds and notes if funds are not otherwise available. The Commonwealth recovers a portion of these payments through assessments to cities and towns served by these authorities.

12. Contingencies:

There are a number of lawsuits pending or threatened against the Commonwealth which arose from the ordinary course of operations, including claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law.

For those cases in which it is probable or reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General estimates the liability to be \$224,285,000; \$98,490,000 of that portion is expected to be paid in more than twelve months and is recorded in the General Long Term Obligations Account Group. The remainder is recorded in the General Fund. Of the total liability, approximately \$60,000,000 relates to claims by certain acute-care hospitals challenging actions by the Rate Setting Commission.

COMMONWEALTH OF MASSACHUSETTSNOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASISFISCAL YEAR ENDED JUNE 30, 1989

(Continued)

12. Contingencies (Continued):

Additionally, there are various cases currently before the Appellate Tax Board, with approximately \$468,500,000 of collected taxes being contested. No accrual has been made for these amounts in the general purpose financial statements - budgetary basis.

The Commonwealth receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which receives the grant. As of June 30, 1989, the Commonwealth estimates that nonmaterial liabilities, if any, will result from such audits.

The Commonwealth's Abandoned Property Law requires deposit of certain unclaimed assets into a managed Agency Fund. The statutes require the excess amount over \$500,000 each June 30 to be remitted to the General Fund where it is included as miscellaneous revenue. Amounts remitted during fiscal year 1989 total \$17,000,000. A total of approximately \$173,900,000 has been remitted since inception of the fund, and represents a contingency since claims for refunds can be made by the owners of the property.

The Commonwealth guarantees the debt of certain local governments and independent authorities including, but not limited to, the Massachusetts Bay Transit Authority, the Massachusetts Convention Center Authority and the Massachusetts Water Resources Authority. The outstanding guaranteed debt at June 30, 1989, is \$2,529,637,000.

13. Reclassifications:

Certain reclassifications have been made to the 1988 balances to conform to the presentation used in 1989.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

BUDGETARY BASIS

GENERAL FUND



COMMONWEALTH OF MASSACHUSETTSCOMPARATIVE BALANCE SHEETS - BUDGETARY BASIS - GENERAL FUNDJUNE 30, 1989

(Amounts in thousands)

	<u>1989</u>	<u>1988</u>
<u>ASSETS</u>		
Cash and short term investments	\$ 98,349	\$595,002
Advances to MBTA	179,445	137,444
Receivables, net of allowance for uncollectibles:		
Due from federal government	94,539	93,629
Other receivables	10,817	10,281
Due from cities and towns	<u>115,774</u>	<u>106,000</u>
Total assets	<u>\$498,924</u>	<u>\$942,356</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Accounts payable	\$463,605	\$514,296
Accrued payroll	36,277	-
Bonds and notes payable	<u>107,000</u>	<u>106,000</u>
Total liabilities	<u>606,882</u>	<u>620,296</u>
Fund equity:		
Fund balances (deficits):		
Unreserved:		
Designated for continuing accounts	118,663	168,400
Designated for program stabilization	-	112,312
Undesignated	( 226,621)	<u>41,348</u>
Total fund equity (deficit)	( 107,958)	<u>322,060</u>
Total liabilities and fund equity	<u>\$498,924</u>	<u>\$942,356</u>

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTSSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND EQUITY - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUNDFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Revenues:				
Taxes	\$5,619,419	\$5,619,419	\$ -	\$5,264,151
Assessments	160,432	160,432	-	146,600
Federal grants and reimbursements	1,518,394	1,518,394	-	1,418,879
Departmental	457,203	457,203	-	464,791
Miscellaneous	<u>124,853</u>	<u>124,853</u>	<u>-</u>	<u>124,795</u>
Total revenues	<u>7,880,301</u>	<u>7,880,301</u>	<u>-</u>	<u>7,419,216</u>
Other financing sources:				
Transfers in	237,971	237,971	-	225,271
Accounts payable balances reverted	8,749	8,749	-	52,521
Other	( <u>430</u> )	( <u>430</u> )	<u>-</u>	<u>18,986</u>
Total other financing sources	<u>246,290</u>	<u>246,290</u>	<u>-</u>	<u>296,778</u>
Total revenues and other sources	<u>-8,126,591</u>	<u>8,126,591</u>	<u>-</u>	<u>7,715,994</u>
Expenditures:				
Legislature	54,894	49,289	5,605	48,148
Inspector General	1,393	1,378	15	1,203
Judiciary	79,848	78,975	873	37,826
Executive	6,518	5,937	581	5,808
Secretary of the Commonwealth	14,554	13,341	1,213	12,129
Treasurer and Receiver - General	88,662	86,851	1,811	70,105
Auditor of the Commonwealth	13,139	13,102	37	12,495
Attorney General	19,605	19,460	145	17,849
Ethics commission	1,049	1,025	24	982
District Attorney	14,623	12,819	1,804	57,522
Administration and finance	851,744	805,639	46,105	809,969
Environmental affairs	78,159	74,672	3,487	79,776
Communities and development	208,269	187,525	20,744	166,441
Human services	5,148,740	5,025,050	123,690	4,431,018
Transportation and construction	340,707	339,094	1,613	159,916
Education	80,206	71,048	9,158	52,652

COMMONWEALTH OF MASSACHUSETTSSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND EQUITY - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUNDFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Expenditures (continued):				
Higher education	767,111	743,341	23,770	745,816
Public safety	42,151	38,612	3,539	41,371
Economic affairs	55,068	53,215	1,853	52,222
Elder affairs	146,866	144,529	2,337	136,376
Consumer affairs	26,553	25,039	1,514	26,849
Energy resources	2,706	2,523	183	2,579
Labor	24,327	22,967	1,360	18,538
Independent commissions	8,245	8,137	108	3,861
Pension	226,334	226,114	220	235,576
Debt service:				
Principal retirement	17,923	17,923	-	11,759
Interest and fiscal charges	<u>51,287</u>	<u>53,429</u>	( 2,142)	<u>17,492</u>
Total expenditures	<u>8,370,681</u>	<u>8,121,034</u>	<u>249,647</u>	<u>7,256,278</u>
Other financing uses:				
Transfers out:				
Debt service - principal	201,398	201,398	-	192,930
Debt service - interest	208,649	206,130	2,539	198,428
Pension	7,978	7,978	-	35,726
Fund deficit support	-	-	-	231,027
Other	<u>24,684</u>	<u>20,069</u>	<u>4,615</u>	<u>24,757</u>
Total other financing uses	<u>442,729</u>	<u>435,575</u>	<u>7,154</u>	<u>682,868</u>
Total expenditures and other uses	<u>8,813,410</u>	<u>8,556,609</u>	<u>256,801</u>	<u>7,939,146</u>
Excess (deficiency) of expenditures and other uses over revenues and other sources	( 686,819)	( 430,018)	256,801	( 223,152)
Fund equity at beginning of year	<u>322,060</u>	<u>322,060</u>	-	<u>545,212</u>
Fund equity (deficit) at end of year	<u>(\$ 364,759)</u>	<u>(\$ 107,958)</u>	<u>\$256,801</u>	<u>\$ 322,060</u>

See notes to general purpose financial statements - budgetary basis.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

BUDGETARY BASIS

SPECIAL REVENUE FUNDS

COMMONWEALTH OF MASSACHUSETTS  
COMBINING BALANCE SHEET -  
BUDGETARY BASIS - SPECIAL REVENUE FUNDS

JUNE 30, 1989

(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Arts and State Lotteries	Other	Totals
	1989	1989	1989	1989	1989	1988
<b>ASSETS</b>						
Cash and short term investments	\$ 92,689	\$26,814	\$202,832	\$63,175	\$ 95,894	\$373,864
Receivables, net of allowance for uncollectibles:						
Due from federal government	15,669	3,987	-	-	-	10,301
Other receivables	-	-	2,298	3,078	15,862	22,713
Due from other funds	-	-	2,500	-	-	-
Total assets	\$108,358	\$30,801	\$207,630	\$66,253	\$111,756	\$406,878
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Accounts payable	\$ 71,125	\$11,414	\$157,260	\$37,237	\$ 21,263	\$173,784
Accrued payroll	2,541	3,754	780	-	112	7,187
Due to cities and towns	-	-	304,689	-	-	-
Due to other funds	-	-	-	2,500	-	-
Total liabilities	73,666	15,168	462,729	39,737	21,375	173,784
Fund equity:						
Fund balances (deficit):						
Unreserved:						
Designated for continuing accounts	40,236	24	316	26,516	76,061	201,248
Undesignated	( 5,544)	15,609	( 255,415)	-	14,320	31,846
Total fund equity (deficit)	34,692	15,633	( 255,099)	26,516	90,381	233,094
Total liabilities and fund equity	\$108,358	\$30,801	\$207,630	\$66,253	\$111,756	\$406,878

See notes to general purpose financial statements - budgetary basis.



## COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND EQUITY -  
BUDGETARY BASIS - SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Arts and State Lotteries	Other	Totals
						1989 1988
Revenues:						
Taxes	\$ -	\$295,720	\$2,916,678	\$ 9,692	\$ 17,604	\$3,239,694 \$3,010,712
Assessments	-	2,381	-	-	35,244	37,625 2,346
Federal grants and reimbursements	892,360	21,126	42	-	2,396	915,924 878,231
Departmental	-	278,449	4,158	1,457,261	22,305	1,762,173 1,605,955
Miscellaneous	4	1,395	15,069	6,741	26,678	49,887 44,893
Total revenues	892,364	599,071	2,935,947	1,473,694	104,227	6,005,303 5,542,137
Other financing sources:						
Transfers in	596	-	483,306	-	6,168	490,070 644,726
Accounts payable balances reverted	( 36)	( 217)	( 2,082)	-	-	( 2,335) 18,718
Other	34	35	8	-	-	77 -
Total other financing sources (uses)	594	( 182)	481,232	-	6,168	487,812 663,444
Total revenues and other sources	892,958	598,889	3,417,179	1,473,694	110,395	6,493,115 6,205,581
Expenditures:						
Judiciary	8	-	227,933	-	-	227,941 213,730
Executive	580	-	-	-	-	580 371
Secretary of the Commonwealth	353	-	-	-	1,289	2,051,727 1,941,066
Treasurer and Receiver - General	139	13	1,071,351	978,734	863	1,015 441
District Attorney	1,201	326	27,217	-	6,487	35,231 24,242
Administration and finance	3,571	71,626	48,231	-	15,776	139,204 158,026
Environmental affairs	17,690	45,146	36,973	-	8,082	107,891 118,801
Communities and development	170,228	-	8,124	-	36,268	216,620 185,928
Human services	261,733	-	17,081	-	11,192	290,006 252,757
Transportation and construction	2,952	129,666	21,402	-	573	154,593 191,393
Education	247,286	1,275	1,729,410	-	-	1,977,971 1,896,196
Higher education	8,500	28	-	-	-	8,528 6,590

COMMONWEALTH OF MASSACHUSETTS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND EQUITY -  
BUDGETARY BASIS - SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)  
(Continued)

	Federal Grants	Highway	Local Aid	Arts and State Lotteries	Other	Totals
						1989
						1988
Expenditures (continued):						
Public safety	15,045	95,481	1,530	-	-	112,056
Economic affairs	131,627	-	94	-	8,462	140,183
Elder affairs	25,394	-	-	-	-	25,394
Consumer affairs	146	3,454	-	-	-	3,600
Energy resources	716	-	-	-	14,767	15,483
Labor	797	-	-	-	840	1,637
Independent commissions	2,383	-	17,596	-	-	19,979
Pension	-	47,280	362,134	-	-	410,028
Total expenditures	890,349	394,295	3,569,076	978,734	105,213	5,937,667
Other financing uses:						
Transfers out:						
Debt service - principal	-	70,877	11,290	-	2,999	85,166
Debt service - interest	-	76,527	11,207	-	1,789	89,523
Pension	-	1,647	13,886	-	24	15,557
Other	16,204	39,910	66,819	541,203	22,037	686,173
Total other financing uses	16,204	188,961	103,202	541,203	26,849	876,419
Total expenditures and other uses	906,553	583,256	3,672,278	1,519,937	132,062	6,814,086
Excess (deficiency) of revenues and other sources over expenditures and other uses	( 13,595)	15,633	( 255,099)	( 46,243)	( 21,667)	( 320,971)
Fund equity at beginning of year	48,287	-	-	72,759	117,048	233,094
Fund equity (deficit) at end of year	\$ 34,692	\$ 15,633	( \$ 255,099)	\$ 26,516	\$ 90,381	( \$ 87,877)
						\$ 233,094

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTSSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY -  
BUDGETARY BASIS - BUDGET AND ACTUAL - HIGHWAY FUNDFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Revenues:				
Taxes	\$295,720	\$295,720	\$ -	\$296,412
Assessments	2,381	2,381	-	798
Federal grants and reimbursements	21,126	21,126	-	72,942
Departmental	278,449	278,449	-	191,640
Miscellaneous	<u>1,395</u>	<u>1,395</u>	-	<u>1,728</u>
Total revenues	<u>599,071</u>	<u>599,071</u>	-	<u>563,520</u>
Other financing sources:				
Transfers in	-	-	-	45
Accounts payable balances reverted	( 217)	( 217)	-	6,286
Other	<u>35</u>	<u>35</u>	-	-
Total other financing sources	<u>( 182)</u>	<u>( 182)</u>	-	<u>6,331</u>
Total revenues and other sources	<u>598,889</u>	<u>598,889</u>	-	<u>569,851</u>
Expenditures:				
Attorney General	13	13	-	-
District Attorney	331	326	5	367
Administration and finance	74,251	71,626	2,625	59,812
Environmental affairs	46,404	45,146	1,258	49,267
Transportation and construction	139,461	129,666	9,795	183,412
Education	1,326	1,275	51	-
Higher education	28	28	-	-
Public safety	97,039	95,481	1,558	104,704
Consumer affairs	3,576	3,454	122	2,911
Pension	<u>47,370</u>	<u>47,280</u>	<u>90</u>	<u>44,171</u>
Total expenditures	<u>409,799</u>	<u>394,295</u>	<u>15,504</u>	<u>444,644</u>
Other financing uses:				
Transfers out:				
Debt service - principal	70,877	70,877	-	66,040
Debt service - interest	76,527	76,527	-	61,874
Pension	1,647	1,647	-	-
Other	<u>39,910</u>	<u>39,910</u>	-	<u>65,102</u>
Total other financing uses	<u>188,961</u>	<u>188,961</u>	-	<u>193,016</u>
Total expenditures and other uses	<u>598,760</u>	<u>583,256</u>	<u>15,504</u>	<u>637,660</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	129	15,633	15,504	( 67,809)
Fund equity at beginning of year	-	-	-	67,809
Fund equity at end of year	<u>\$ 129</u>	<u>\$ 15,633</u>	<u>\$15,504</u>	<u>\$ -</u>

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTSSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY -  
BUDGETARY BASIS - BUDGET AND ACTUAL - LOCAL AID FUNDFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Revenues:				
Taxes	\$2,916,678	\$2,916,678	\$ -	\$2,710,435
Federal	42	42	-	-
Departmental	4,158	4,158	-	1,969
Miscellaneous	<u>15,069</u>	<u>15,069</u>	<u>-</u>	<u>14,424</u>
Total revenues	<u>2,935,947</u>	<u>2,935,947</u>	<u>-</u>	<u>2,726,828</u>
Other financing sources:				
Transfers in	483,306	483,306	-	626,696
Accounts payable balances reverted	( 2,082)	( 2,082)	-	7,186
Other sources	<u>8</u>	<u>8</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>481,232</u>	<u>481,232</u>	<u>-</u>	<u>633,882</u>
Total revenues and other sources	<u>3,417,179</u>	<u>3,417,179</u>	<u>-</u>	<u>3,360,710</u>
Expenditures:				
Judiciary	230,415	227,933	2,482	213,647
Treasurer and Receiver - General	1,071,406	1,071,351	55	1,032,490
District Attorney	27,510	27,217	293	18,983
Administration and finance	50,885	48,231	2,654	82,994
Environmental affairs	37,458	36,973	485	37,913
Communities and development	12,285	8,124	4,161	7,288
Human services	18,134	17,081	1,053	8,775
Transportation and construction	21,546	21,402	144	3,224
Education	1,764,214	1,729,410	34,804	1,675,829
Higher education	-	-	-	29
Public safety	1,556	1,530	26	1,779
Economic affairs	100	94	6	-
Independent commissions	17,597	17,596	1	22,850
Pension	<u>362,134</u>	<u>362,134</u>	<u>-</u>	<u>272,227</u>
Total expenditures	<u>3,615,240</u>	<u>3,569,076</u>	<u>46,164</u>	<u>3,378,028</u>

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY -  
BUDGETARY BASIS - BUDGET AND ACTUAL - LOCAL AID FUND

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	1989	1989	Variance	1988
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Other financing uses:				
Transfers out:				
Debt service - principal	11,632	11,290	342	7,661
Debt service - interest	11,499	11,207	292	7,508
Pension	13,886	13,886	-	12,500
Other	<u>185</u>	<u>66,819</u>	<u>( 66,634)</u>	<u>12,750</u>
Total other financing uses	<u>37,202</u>	<u>103,202</u>	<u>( 66,000)</u>	<u>40,419</u>
Total expenditures and other uses	<u>3,652,442</u>	<u>3,672,278</u>	<u>( 19,836)</u>	<u>3,418,447</u>
Excess of expenditures and other uses over revenues and other sources	<u>( 235,263)</u>	<u>( 255,099)</u>	<u>( 19,836)</u>	<u>( 57,737)</u>
Fund equity at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,737</u>
Fund deficit at end of year	<u>(\$ 235,263)</u>	<u>(\$ 255,099)</u>	<u>(\$19,836)</u>	<u>\$ -</u>

See notes to general purpose financial statements - budgetary basis.



COMMONWEALTH OF MASSACHUSETTSSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - GOVERNMENT LAND BANK FUNDFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Revenues:				
Departmental	\$ 531	\$ 531	\$ -	\$1,575
Other financing sources:				
Transfer in	-	-	-	5,998
Total revenues and other sources	<u>531</u>	<u>531</u>	<u>-</u>	<u>7,573</u>
Expenditures:				
Administration and finance	( 1,316)	-	( 1,316)	-
Other financing uses:				
Transfers out:				
Debt service - principal	-	1,556	( 1,556)	1,527
Debt service - interest	-	1,562	( 1,562)	1,652
Other	-	<u>5,998</u>	( 5,998)	-
Total other financing uses	<u>-</u>	<u>9,116</u>	( 9,116)	<u>3,179</u>
Total expenditures and other uses	( 1,316)	<u>9,116</u>	( 10,432)	<u>3,179</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,847	( 8,585)	( 10,432)	4,394
Fund deficit at beginning of year	( 2,920)	( 2,920)	-	( 7,314)
Fund deficit at end of year	<u>(\$1,073)</u>	<u>(\$11,505)</u>	<u>(\$10,432)</u>	<u>(\$2,920)</u>

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - VICTIM AND WITNESS ASSISTANCE FUND

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Revenues:				
Departmental	\$5,343	\$5,343	\$ -	\$5,461
Miscellaneous	<u>157</u>	<u>157</u>	<u>-</u>	<u>135</u>
Total revenues	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>5,596</u>
Other financing sources:				
Accounts payable balances reverted	<u>-</u>	<u>-</u>	<u>-</u>	<u>136</u>
Total revenues and other sources	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>5,732</u>
Expenditures:				
Treasurer and Receiver - General	1,289	1,289	-	-
Attorney General	465	454	11	76
District Attorney	7,403	6,487	916	3,653
Human services	<u>183</u>	<u>72</u>	<u>111</u>	<u>67</u>
Total expenditures	<u>9,340</u>	<u>8,302</u>	<u>1,038</u>	<u>3,796</u>
Other financing uses:				
Transfers out - other	<u>24</u>	<u>1,242</u>	<u>( 1,218)</u>	<u>807</u>
Total expenditures and other uses	<u>9,364</u>	<u>9,544</u>	<u>( 180)</u>	<u>4,603</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	( 3,864)	( 4,044)	( 180)	1,129
Fund equity at beginning of year	<u>6,116</u>	<u>6,116</u>	<u>-</u>	<u>4,987</u>
Fund equity at end of year	<u>\$2,252</u>	<u>\$2,072</u>	<u>(\$ 180)</u>	<u>\$6,116</u>

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - MOSQUITO AND GREENHEAD FLY CONTROL FUND

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	<u>1989</u>	<u>1989</u>	Variance	<u>1988</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Revenues:				
Assessments	\$1,624	\$1,624	\$-	\$1,548
Miscellaneous	<u>252</u>	<u>252</u>	<u>-</u>	<u>281</u>
Total revenues	<u>1,876</u>	<u>1,876</u>	<u>-</u>	<u>1,829</u>
Other financing sources:				
Accounts payable balances reverted	<u>-</u>	<u>-</u>	<u>-</u>	<u>60</u>
Total revenues and other sources	<u>1,876</u>	<u>1,876</u>	<u>-</u>	<u>1,889</u>
Expenditures:				
Environmental affairs	<u>1,797</u>	<u>1,636</u>	<u>161</u>	<u>1,752</u>
Other financing uses:				
Transfers out	<u>214</u>	<u>214</u>	<u>-</u>	<u>185</u>
Total expenditures and other uses	<u>2,011</u>	<u>1,850</u>	<u>161</u>	<u>1,937</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	( <u>135</u> )	<u>26</u>	<u>161</u>	( <u>48</u> )
Fund equity at beginning of year	<u>680</u>	<u>680</u>	<u>-</u>	<u>728</u>
Fund equity at end of year	<u>\$ 545</u>	<u>\$ 706</u>	<u>\$161</u>	<u>\$ 680</u>

See notes to general purpose financial statements - budgetary basis.

## COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - INLAND FISHERIES AND GAME FUNDFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Revenues:				
Taxes	\$ 412	\$ 412	\$-	\$ 411
Federal grants and reimbursements	2,396	2,396	-	2,004
Departmental	4,858	4,858	-	5,528
Miscellaneous	<u>11</u>	<u>11</u>	<u>-</u>	<u>17</u>
Total revenues	<u>7,677</u>	<u>7,677</u>	<u>-</u>	<u>7,960</u>
Other financing sources:				
Accounts payable balances reverted	-	-	-	970
Transfers in	<u>61</u>	<u>61</u>	<u>-</u>	<u>61</u>
Total other financing sources	<u>61</u>	<u>61</u>	<u>-</u>	<u>1,031</u>
Total revenues and other sources	<u>7,738</u>	<u>7,738</u>	<u>-</u>	<u>8,991</u>
Expenditures:				
Environmental affairs	6,499	6,056	443	6,397
Pension	<u>614</u>	<u>614</u>	<u>-</u>	<u>491</u>
Total expenditures	<u>7,113</u>	<u>6,670</u>	<u>443</u>	<u>6,888</u>
Other financing uses:				
Transfers out:				
Debt service-principal	50	50	-	50
Debt service-interest	7	7	-	9
Pension	23	23	-	-
Other	<u>19</u>	<u>314</u>	<u>( 295)</u>	<u>556</u>
Total other financing uses	<u>99</u>	<u>394</u>	<u>( 295)</u>	<u>615</u>
Total expenditures and other uses	<u>7,212</u>	<u>7,064</u>	<u>148</u>	<u>7,503</u>
Excess of revenues and other sources over expenditures and other uses	526	674	148	1,488
Fund equity at beginning of year	<u>2,638</u>	<u>2,638</u>	<u>-</u>	<u>1,150</u>
Fund equity at end of year	<u>\$3,164</u>	<u>\$3,312</u>	<u>\$148</u>	<u>\$2,638</u>

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTSSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - MASSACHUSETTS HOUSING PARTNERSHIP FUNDFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Revenues:				
Taxes	<u>\$ 6,546</u>	<u>\$ 6,546</u>	<u>\$ -</u>	<u>\$ 3,454</u>
Other financing sources:				
Accounts payable balances reverted	<u>-</u>	<u>-</u>	<u>-</u>	<u>62</u>
Total revenues and other sources	<u>6,546</u>	<u>6,546</u>	<u>-</u>	<u>3,516</u>
Expenditures:				
Communities and development	<u>12,940</u>	<u>11,706</u>	<u>1,234</u>	<u>3,999</u>
Other financing uses:				
Other	<u>3</u>	<u>90</u>	<u>( 87)</u>	<u>6</u>
Total expenditures and other uses	<u>12,943</u>	<u>11,796</u>	<u>1,147</u>	<u>4,005</u>
Excess of expenditures and other uses over revenues and other sources	<u>( 6,397)</u>	<u>( 5,250)</u>	<u>1,147</u>	<u>( 489)</u>
Fund equity at beginning of year	<u>18,221</u>	<u>18,221</u>	<u>-</u>	<u>18,710</u>
Fund equity at end of year	<u>\$11,824</u>	<u>\$12,971</u>	<u>\$1,147</u>	<u>\$18,221</u>

See notes to general purpose financial statements - budgetary basis.



COMMONWEALTH OF MASSACHUSETTSSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY -  
BUDGETARY BASIS - BUDGET AND ACTUAL - OIL OVERCHARGE FUNDSFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989 <u>Budget</u>	1989 <u>Actual</u>	Variance Favorable (Unfavorable)	1988 <u>Actual</u>
Revenues:				
Miscellaneous	\$11,109	\$11,109	\$ -	\$ 11,640
Other financing sources:				
Transfers in	3,890	3,890	-	-
Total revenues and other sources	14,999	14,999	-	11,640
Expenditures:				
Communities and development	37,019	24,561	12,458	26,652
Energy resources	47,671	14,767	32,904	13,621
Total expenditures	84,690	39,328	45,362	40,273
Other financing uses:				
Transfers out:				
Other	2	94	( 92)	46
Total expenditures and other uses	84,692	39,422	45,270	40,319
Excess of expenditures and other uses over revenues and other sources	( 69,693)	( 24,423)	45,270	( 28,679)
Fund equity at beginning of year	73,975	73,975	-	102,654
Fund equity at end of year	\$ 4,282	\$49,552	\$45,270	\$ 73,975

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - BUDGETARY BASIS -  
BUDGET AND ACTUAL - HAZARDOUS WASTE FUND

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989	1989	Variance	1988
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Revenues:				
Departmental	<u>\$3,643</u>	<u>\$3,643</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Environmental affairs	<u>2,219</u>	<u>22</u>	<u>2,197</u>	<u>1,774</u>
Other financing uses:				
Transfers out	<u>7</u>	<u>7</u>	<u>-</u>	<u>17,225</u>
Total expenditures and other uses	<u>2,226</u>	<u>29</u>	<u>2,197</u>	<u>18,999</u>
Excess (deficiency) of revenues over expenditures and other uses	1,417	3,614	2,197	( 18,999)
Fund equity at beginning of year	<u>2,001</u>	<u>2,001</u>	<u>-</u>	<u>2,000</u>
Fund equity at end of year	<u>\$3,418</u>	<u>\$5,615</u>	<u>\$2,197</u>	<u>\$ 2,001</u>

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTSSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY -BUDGETARY BASIS - BUDGET AND ACTUAL - OTHER SPECIAL REVENUE FUNDSFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	1989	1989	Variance	1988
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes	\$10,645	\$10,645	\$ -	\$ -
Departmental	729	729	-	325
Miscellaneous	<u>456</u>	<u>456</u>	-	<u>708</u>
Total revenues	<u>11,830</u>	<u>11,830</u>	-	<u>1,033</u>
Other financing sources:				
Transfers in	150	150	-	-
Accounts payable balances reverted	-	-	-	<u>420</u>
Total other financing sources	<u>150</u>	<u>150</u>	-	<u>420</u>
Total revenues and other sources	<u>11,980</u>	<u>11,980</u>	-	<u>1,453</u>
Expenditures:				
Attorney General	424	410	14	344
Environmental affairs	438	369	69	332
Human services	838	657	181	-
Transportation and construction	1,761	573	1,188	1,967
Public safety	9,194	8,461	733	-
Labor	<u>886</u>	<u>840</u>	<u>46</u>	-
Total expenditures	<u>13,541</u>	<u>11,310</u>	<u>2,231</u>	<u>2,643</u>
Other financing uses:				
Transfers out:				
Debt service - principal	722	1,393	( 671)	1,271
Debt service - interest	219	219	-	263
Other	<u>7</u>	<u>109</u>	<u>( 102)</u>	<u>31,113</u>
Total financing uses	<u>948</u>	<u>1,721</u>	<u>( 773)</u>	<u>32,647</u>
Total expenditures and other uses	<u>14,489</u>	<u>13,031</u>	<u>1,458</u>	<u>35,290</u>
Excess of expenditures and other uses over revenues and other sources	( 2,509)	( 1,051)	1,458	( 33,837)
Fund equity at beginning of year	<u>2,072</u>	<u>2,072</u>	-	<u>35,909</u>
Fund equity (deficit) at end of year	<u>(\$ 437)</u>	<u>\$ 1,021</u>	<u>\$1,458</u>	<u>\$ 2,072</u>

See notes to general purpose financial statements - budgetary basis.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

BUDGETARY BASIS

CAPITAL PROJECT FUNDS

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET - BUDGETARY BASIS - CAPITAL PROJECTS FUNDS

JUNE 30, 1989

(Amounts in thousands)

	General	Highway	Federal	Other	Totals
					1989 1988
<b>ASSETS</b>					
Receivables, net of allowance for uncollectibles:					
Due from federal government	\$ -	\$ -	\$ 24,689	\$ -	\$ 24,689 \$ 14,896
Total assets	\$ -	\$ -	\$ 24,689	\$ -	\$ 24,689 \$ 14,896
<b>LIABILITIES AND FUND DEFICIT</b>					
<b>Liabilities:</b>					
Deficiency in cash and short term investments	\$120,077	\$30,906	\$ 73,253	\$10,107	\$234,343 \$431,346
Accounts payable	93,119	17,098	31,175	30,549	171,941 107,750
Accrued payroll	158	-	290	171	619 -
Bonds and notes payable	28,500	4,900	-	2,700	36,100 103,800
Total liabilities	241,854	52,904	104,718	43,527	443,003 842,896
<b>Fund Deficit:</b>					
Unreserved:					
Undesignated	(241,854)	(52,904)	( 80,029)	(43,527)	(418,314) (828,000)
Total liabilities and fund deficit	\$ -	\$ -	\$ 24,689	\$ -	\$ 24,689 \$ 14,896

See notes to general purpose financial statements - budgetary basis.



COMMONWEALTH OF MASSACHUSETTS  
COMBINED STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND EQUITY  
— BUDGETARY BASIS — CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED JUNE 30, 1989  
(Amounts in thousands)

	General	Highway	Federal	Other	Totals
					19891988
Revenues:					
Federal grants and reimbursements	\$ 214	\$	\$232,263	\$ 16	\$ 232,493\$128,351
Departmental	48	-	-	213	261256
Miscellaneous	53	-	-	-	531,056
Total revenues	\$ 315	-	\$232,263	229	\$232,807129,663
Other financing sources:					
Proceeds of general obligation bonds	648,568	438,785	-	127,700	1,415,053576,352
Transfers in	18	-	20,356	8,033	28,407-
Accounts payable balances reverted	-	-	-	-	-13,413
Other sources	4	-	10	-	14-
Total other financing sources	648,590	438,785	20,366	135,733	1,443,474589,765
Total revenues and other sources	848,905	438,785	252,629	135,962	1,676,281719,428
Expenditures:					
Legislature	771	-	-	-	771125
Judiciary	1,095	-	-	-	1,09555
Executive	379	-	-	-	37917
Secretary of the Commonwealth	2,000	-	-	-	2,000703
Administration and finance	201,997	709	-	40,012	242,718142,412
Environmental affairs	216,936	18,479	-	77,034	312,449219,138
Communities and development	188,652	-	-	13,627	202,279128,397
Human services	16,504	-	-	2,072	18,57614,421

## COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND EQUITY -  
BUDGETARY BASIS - CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Continued)

(Amounts in thousands)

	General	Highway	Federal	Other	Totals
					1989 1988
Expenditures (continued):					
Transportation and construction	15,483	99,781	291,409	4,183	410,856 358,625
Education	1,875	-	-	2,278	4,153 2,216
Higher education	26,407	-	-	-	26,407 23,481
Public safety	3,222	1	-	-	3,223 244
Consumer affairs	14	-	-	-	14 236
Energy resources	2,379	-	-	-	2,379 2,052
Labor	20	-	-	-	20 30
Independent commissions	2,500	-	-	-	2,500 -
Total expenditures	680,234	118,970	291,409	139,206	1,229,819 892,152
Other financing uses:					
Transfers out - other	7,703	20,358	4,518	4,197	36,776 14,866
Other	-	-	-	-	- 8,098
Total other financing uses	7,703	20,358	4,518	4,197	36,776 22,964
Total expenditures and other uses	687,937	139,328	295,927	143,403	1,266,595 915,116
Excess (deficiency) of revenues and other sources over expenditures and other uses	160,968	299,457	(43,298)	(7,441)	409,686 (195,688)
Fund deficit at beginning of year	(402,822)	(352,361)	(36,731)	(36,086)	(828,000) (632,312)
Fund deficit at end of year	(241,854)	(52,904)	(80,029)	(43,527)	(418,315) (\$828,000)

See notes to general purpose financial statements - budgetary basis.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

BUDGETARY BASIS

FIDUCIARY FUNDS

COMMONWEALTH OF MASSACHUSETTS  
COMBINING BALANCE SHEET - BUDGETARY BASIS - FIDUCIARY FUND TYPE

JUNE 30, 1989

(Amounts in thousands)

**ASSETS**

	Expendable Trust Funds	Non- expendable Trust Funds	Pension Trust Funds	Agency Funds	Totals
	1989	1989	1989	1989	1988
Cash and short term investments	\$ 45,363	\$10,973	\$ -	\$ 90,346	\$ 146,682
Amount on deposit with U.S. Treasury	1,102,728	-	-	-	1,102,728
Investments	-	-	7,405,338	-	1,145,824
Securities on deposit	-	-	-	866,274	7,405,338
Due from federal government	-	-	-	-	6,314,185
Other receivables	-	-	873	-	866,274
Due from other funds	-	-	-	13	46
				282,341	886
Total assets	\$1,148,091	\$10,973	\$7,406,211	\$1,238,974	\$9,804,249
					\$8,620,126

**LIABILITIES AND FUND EQUITY**

Liabilities:					
Deficiency in cash and					
short term investments	\$ -	\$ 21,005	\$ -	\$ 21,005	\$ 75,553
Accounts payable	3,534	1,151	693	5,400	79,998
Accrued payroll	271	-	-	271	-
Liabilities due depositors	-	-	-	1,238,281	1,031,039
Due to other funds	-	-	282,341	282,341	237,308
Total liabilities	3,805	22	304,497	1,238,974	1,423,898
Fund equity:					
Reserved for:					
Unemployment benefits	1,098,923	-	-	-	1,141,911
Pension benefits	-	-	7,101,714	-	7,101,714
Unreserved:					
Designated for specific purpose	45,363	10,951	-	-	59,590
Total fund equity	1,144,286	10,951	7,101,714	-	7,196,228
Total liabilities and fund equity	\$1,148,091	\$10,973	\$7,406,211	\$1,238,974	\$9,804,249
					\$8,620,126

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS  
COMBINING BALANCE SHEET - BUDGETARY BASIS - EXPENDABLE TRUST FUNDS  
JUNE 30, 1989  
(Amounts in thousands)

	Expendable Trust	Purchasing Supply	Purchasing Surplus	Unemployment Compensation	Totals
	1989	1989	1989	1989	1988
<u>ASSETS</u>					
Cash and short term investments	\$50,230	\$-	\$-	\$-	\$ 50,230
Accounts on deposit with U.S. Treasury	-	-	-	1,102,728	\$ 62,303
Receivables, net of allowance for uncollectibles:					1,145,824
Due from federal government	-	-	-	-	-
Total assets	\$50,230	\$-	\$-	\$1,102,728	\$1,152,958
					\$1,208,173
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Deficiency in cash and short term investments	\$-	\$642	\$420	\$ 3,805	\$ 4,867
Accounts payable	3,534	-	-	-	3,534
Accrued payroll	265	-	6	-	271
Total liabilities	3,799	642	426	3,805	8,672
					14,366
Fund equity (deficit):					
Reserved for unemployment benefits	-	-	-	1,098,923	1,098,923
Unreserved:					
Designated for specific purpose	46,431	(642)	(426)	-	45,363
Total fund equity (deficit)	46,431	(642)	(426)	1,098,923	1,144,286
Total liabilities and fund equity	\$50,230	\$-	\$-	\$1,102,728	\$1,152,958
					\$1,208,173

See notes to general purpose financial statements - budgetary basis.



## COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	Expendable Trust	Purchasing Supply	Purchasing Surplus	Unemployment Compensation	1989	1988
<b>Revenues:</b>						
Taxes	\$ 11	\$ -	\$ -	\$ 485,934	\$ 485,945	\$ 459,564
Assessments	852	-	-	-	852	-
Departmental	2,162	1,265	-	-	3,427	1,153
Other revenue	65,733	-	256	102,594	168,583	162,971
<b>Total revenues</b>	<b>68,758</b>	<b>1,265</b>	<b>256</b>	<b>588,528</b>	<b>658,807</b>	<b>623,688</b>
<b>Other financing sources:</b>						
Transfers in	10,065	-	-	-	10,065	7,678
Accounts payable balances reverted	-	-	-	-	-	460
<b>Total other financing sources</b>	<b>10,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,065</b>	<b>8,138</b>
<b>Total revenues and other sources</b>	<b>78,823</b>	<b>1,265</b>	<b>256</b>	<b>588,528</b>	<b>668,872</b>	<b>631,826</b>
<b>Expenditures:</b>						
Judiciary	45	-	-	-	45	-
Secretary of the Commonwealth	-	-	-	-	-	5
Treasurer and Receiver - General	8	-	-	-	8	-
Auditor of the Commonwealth	7	-	-	-	7	-
Attorney General	247	-	-	-	247	2,907
Ethics commission	10	-	-	-	10	-
District Attorney	309	-	-	-	309	72
Administration and finance	4,118	1,078	359	-	5,555	6,937
Environmental affairs	2,689	-	-	-	2,689	1,716
Communities and development	539	-	-	-	539	306
Human services	9,822	-	-	-	9,822	6,588
Transportation and construction	1,462	-	-	-	1,462	1,401
Education	4,907	-	-	-	4,907	3,982
Higher education	37,356	-	-	-	37,356	34,028
Public safety	993	-	-	-	993	433

COMMONWEALTH OF MASSACHUSETTS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

(Continued)

	Expendable Trust	Purchasing Supply	Purchasing Surplus	Unemployment Compensation	Totals
					19891988
Economic affairs	4,055	-	-	631,516	635,571473,543
Elder affairs	95	-	-	-	9570
Consumer affairs	1,478	-	-	-	1,478649
Energy resources	10	-	-	-	10-
Labor	8,643	-	-	-	8,6439,111
Total expenditures	76,793	1,078	359	631,516	709,746541,748
Other financing uses:					
Transfers out	8,560	-	87	-	8,6471,268
Total expenditures and other uses	85,353	1,078	446	631,516	718,393543,016
Excess (deficiency) of revenues and other sources over expenditures and other uses	( 6,530)	187	( 190)	( 42,988)	( 49,521)88,810
fund equity (deficit) at beginning of year	52,961	( 829)	( 236)	1,141,911	1,193,8071,104,997
fund equity (deficit) at end of year	\$ 46,431	(\$ 642)	(\$426)	\$1,098,923	\$1,144,286\$1,193,807

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET - BUDGETARY BASIS - PENSION TRUST FUNDS

JUNE 30, 1989

(Amounts in thousands)

ASSETS

Cash and short term investments  
Investments  
Interest receivable

Total assets

LIABILITIES AND FUND EQUITY

Liabilities:  
Deficiency in cash and short term  
investments  
Accounts payable  
Due to other funds (cities and towns  
share of pension reserve investment  
trust)

Total liabilities

Fund equity:  
Reserved for pension benefits

Total liabilities and fund equity

See notes to general purpose financial statements - budgetary basis.

	State Employees' Annuities	State employees' Retirement Military Accumulation	Teachers' Annuities	Teachers' Retirement Military Accumulation	Pension Reserve	Totals
						19891988
	\$ -	\$11	\$ 59,597	\$537	\$ -	\$ 60,145 \$ 54,884
	2,338,622	-	2,430,480	-	2,636,236	7,405,338 6,314,185
	-	-	873	-	-	873
	<u>\$2,338,622</u>	<u>\$11</u>	<u>\$2,490,950</u>	<u>\$537</u>	<u>\$2,636,236</u>	<u>\$7,466,356 \$6,369,069</u>
	\$ 30,243	\$ -	\$ -	\$ -	\$ 50,907	\$ 81,150 \$ 130,437
	981	-	170	-	-	1,151 6,597
	-	-	-	-	282,341	282,341 237,308
	<u>31,224</u>	<u>-</u>	<u>170</u>	<u>-</u>	<u>333,248</u>	<u>364,642 374,342</u>
	2,307,398	11	2,490,780	537	2,302,988	7,101,714 5,994,727
	<u>\$2,338,622</u>	<u>\$11</u>	<u>\$2,490,950</u>	<u>\$537</u>	<u>\$2,636,236</u>	<u>\$7,466,356 \$6,369,069</u>

COMMONWEALTH OF MASSACHUSETTS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY -  
BUDGETARY BASIS - PENSION TRUST FUNDS  
FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	State Employees' Annuities	State employees' Retirement Military Accumulation	Teachers' Annuities	Teachers' Retirement Military Accumulation	Pension Reserve	Totals
						1989 1988
Revenues:						
Employee contributions	\$ 192,332	\$ -	\$ 125,573	\$ -	\$ 12,980	\$ 330,885 \$ 301,411
Investment earnings	331,501	-	283,947	36	315,840	931,324 136,601
Total revenues	523,833	-	409,520	36	328,820	1,262,209 436,012
Other financing sources:						
Transfers in	-	-	-	-	54,149	54,149 154,026
Total revenues and other sources	523,833	-	409,520	36	382,969	1,316,358 590,038
Expenses:						
Payments to beneficiaries and cities and towns	84,185	-	49,539	-	45,033	178,757 161,436
Other financing uses:						
Transfers out	18,975	-	10,891	748	-	30,614 105,800
Total expenses and other uses	103,160	-	60,430	748	45,033	209,371 267,236
Net income (loss)	420,673	-	349,090	( 712)	337,936	1,106,987 322,802
Fund equity at beginning of year	1,886,725	11	2,141,690	1,249	1,965,052	5,994,727 5,671,925
Fund equity at end of year	\$2,307,398	\$11	\$2,490,780	\$ 537	\$2,302,988	\$7,101,714 \$5,994,727

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS  
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION  
BUDGETARY BASIS - PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

	State Employees' Annuities	State employees' Retirement Military Accumulation	Teachers' Annuities	Teachers' Retirement Military Accumulation	Pension Reserve	Totals
						1989      1988
Sources of financial resources:						
Operations:						
Net income (loss)	\$420,673	\$ -	\$349,090	(\$712)	\$337,936	\$1,106,987      \$322,802
Decrease in due from other funds	-	-	-	-	-	14,151
Increase in accounts payable	21	-	-	-	-	21      3,887
Increase in due to other funds	-	-	-	-	45,033	45,033      41,041
Total sources of financial resources	420,694	-	349,090	( 712)	382,969	1,152,041      381,881
Uses of financial resources:						
Increase in investments	378,218	-	336,777	-	376,158	1,091,153      520,660
Increase in other receivables	-	-	873	-	-	873
Decrease in accounts payable	-	-	5,467	-	-	5,467
Total uses of financial resources	378,218	-	343,117	-	376,158	1,097,493      520,660
Increase (decrease) in cash and short term investments	\$ 42,476	\$ -	\$ 5,973	(\$712)	\$ 6,811	\$ 54,548      (\$138,779)

See notes to general purpose financial statements - budgetary basis.



COMMONWEALTH OF MASSACHUSETTSCOMBINING STATEMENT OF CHANGES IN  
ASSETS AND LIABILITIES - BUDGETARY BASIS - AGENCY FUNDSFISCAL YEAR ENDED JUNE 30, 1989

(Amounts in thousands)

<u>Agency fund</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Liabilities due depositors	\$ 793,731	\$ 84,225	\$ 9,519	\$ 868,437
Abandoned property	16,936	59,472	50,947	25,461
Court escrow deposits	34,526	31,074	23,124	42,476
Payroll withholdings	1,532	599,463	592,326	8,669
Child support enforcement	2,841	73,409	74,630	1,620
Local option taxes	8,016	92,346	91,085	9,277
Pension assets held for cities and towns	237,308	45,033	-	282,341
Other agency withholdings	<u>150</u>	<u>26,515</u>	<u>25,972</u>	<u>693</u>
Totals	<u>\$1,095,040</u>	<u>\$1,011,537</u>	<u>\$867,603</u>	<u>\$1,238,974</u>

See notes to general purpose financial statements - budgetary basis.



COMMONWEALTH  
OF  
MASSACHUSETTS

Statistical Section

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## COMMONWEALTH OF MASSACHUSETTS

TEN YEAR SCHEDULE OF REVENUES BY SOURCE  
BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES

(Amounts in millions)

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	
Source:																						
Fees	\$ 8,859	62.8	\$ 8,275	63.2	\$ 8,055	64.5	\$ 7,511	65.0	\$ 6,424	64.1	\$ 5,660	67.6	\$ 4,992	64.4	\$ 4,637	64.4	\$ 4,194	62.1	\$ 4,194	62.1	\$ 3,830	60.4
Federal reimbursements	1,774	12.6	1,622	12.4	1,415	11.3	1,379	11.9	1,222	12.2	1,161	13.9	1,254	16.2	1,208	16.8	1,169	17.3	1,115	17.6	1,115	17.6
Federal grants	892	6.3	803	6.1	812	6.5	827	7.2	758	7.6	639	7.6	618	8.0	608	8.4	687	10.2	713	11.2	713	11.2
Federal revenue sharing													2		2				36	0.5	73	1.2
Fees, reimbursements, sales, etc.	693	4.9	677	5.2	604	4.8	602	5.2	535	5.3	581	6.9	562	7.2	455	6.3	400	5.9	308	6.1		
Assessments	199	1.3	149	1.1	168	1.3	24	0.2	108	1.1	100	1.2	110	1.4	100	1.4	94	1.4	95	1.5		
Motor vehicle licenses and registrations	237	1.7	167	1.3	175	1.4	151	1.3	145	1.4	128	1.5	118	1.5	111	1.5	103	1.5	103	1.5	65	1.0
Lottery	1,464	10.4	1,398	10.7	1,276	10.2	1,066	9.2	831	8.3	113	1.3	99	1.3	66	1.2	75	1.1	62	1.0		
Total revenues	<u>\$16,118</u>		<u>\$13,091</u>		<u>\$12,505</u>		<u>\$11,560</u>		<u>\$10,073</u>		<u>\$8,382</u>		<u>\$7,754</u>		<u>\$7,207</u>		<u>\$6,758</u>		<u>\$6,341</u>			

Amounts in 1987 have been restated to include Authorities Deficiency and Oil Overcharge funds within governmental funds.





COMMONWEALTH OF MASSACHUSETTS  
FIVE YEAR SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS — ALL GOVERNMENTAL FUND TYPES  
(Amounts in millions)

Type of expenditures:	1989	1990	1987	1986	1985	1984	1983	1982	1981	1980										
State aid	\$ 4,172	26.3	\$ 3,938	27.6	\$ 3,794	28.6	\$ 3,299	29.6	\$2,950	30.2	\$2,628	30.4	\$2,421	29.9	\$2,246	29.4	\$2,016	27.8	\$2,009	29.6
Laboratory, medical and general care	3,980	25.1	3,487	24.4	3,209	24.2	2,845	25.5	2,396	24.5	2,258	26.1	2,184	26.9	2,148	28.1	2,064	28.5	1,867	27.5
Salaries	2,645	16.6	2,424	17.0	2,317	17.5	1,964	17.6	1,767	18.1	1,592	18.4	1,440	17.8	1,330	17.4	1,256	17.3	1,199	17.7
Debt service	653	4.1	568	4.0	530	4.0	522	4.7	482	4.9	447	5.2	403	5.0	378	4.9	439	6.1	428	6.3
Special supplies and expenses	2,105	13.3	1,761	12.3	1,347	10.2	734	6.6	626	6.4	399	4.6	377	4.7	312	4.1	327	4.5	311	4.6
Services, nonemployees	314	2.0	365	2.6	391	3.0	433	3.9	384	3.9	345	4.0	327	4.0	318	4.2	293	4.0	273	4.0
Capital outlay	509	3.7	463	3.2	474	3.5	376	3.4	304	3.1	261	3.0	353	4.5	333	4.4	321	4.4	232	3.4
Pension	636	4.0	552	3.8	488	3.7	401	3.6	265	2.7	237	2.7	205	2.5	187	2.4	173	2.4	156	2.3
Heat and other plant operations	99	0.6	96	0.7	90	0.7	94	0.8	106	1.2	106	1.2	99	1.2	105	1.4	104	1.3	85	1.3
Office and administrative expenses	129	0.8	121	0.8	102	0.8	85	0.8	86	0.9	68	0.8	60	0.7	65	0.9	50	0.7	50	0.7
Rentals	161	1.0	139	1.0	145	1.0	113	1.0	104	1.2	88	1.0	68	0.8	63	0.8	48	0.7	39	0.5
Repairs, replacements and alterations	116	0.7	124	0.8	100	0.8	69	0.6	82	0.8	61	0.7	48	0.6	46	0.6	48	0.7	39	0.5
Equipment	86	0.5	77	0.5	95	0.7	67	0.6	73	0.7	37	0.4	25	0.3	24	0.3	32	0.4	27	0.4
Travel and automotive expenses	58	0.4	56	0.4	52	0.4	48	0.4	42	0.4	39	0.5	27	0.3	33	0.4	30	0.4	24	0.4
Advertising	41	0.3	43	0.3	40	0.3	32	0.3	33	0.3	25	0.3	19	0.2	17	0.2	19	0.3	18	0.3
Food and clothing	66	0.4	58	0.4	55	0.4	43	0.4	47	0.5	43	0.5	33	0.4	21	0.3	20	0.3	20	0.3
Farm and grounds	10	0.1	12	0.1	16	0.1	13	0.1	11	0.1	9	0.1	11	0.1	10	0.1	7	0.1	5	0.1
Housekeeping supplies and expenses	10	0.1	8	0.1	8	0.1	8	0.1	8	0.1	7	0.1	7	0.1	7	0.1	6	0.1	4	0.1
Total expenditures	\$15,670		\$12,292		\$13,253		\$11,146		\$9,766		\$8,650		\$8,107		\$7,643		\$7,253		\$6,796	

Amounts in 1986 and prior years are as reported by spending departments.

COMMONWEALTH OF MASSACHUSETTS

TEN-YEAR SCHEDULE OF RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
FOR GENERAL BONDED DEBT TO TOTAL EXPENDITURES - BUDGETARY BASIS -  
ALL GOVERNMENTAL FUND TYPES

(Amounts in millions)

<u>Fiscal year ended</u> <u>June 30</u>	<u>Total</u> <u>debt service*</u>	<u>Total</u> <u>expenditures**</u>	<u>Ratio</u>
1989	\$ 653	\$15,870	4.1%
1988	568	14,292	4.0
1987	530	13,253	4.0
1986	522	11,397	4.6
1985	482	10,132	4.8
1984	447	8,970	5.0
1983	403	8,433	4.8
1982	378	7,881	4.8
1981	439	7,153	6.1
1980	428	6,788	6.3

\*Debt service includes principal and interest payments related to general obligation long term bonds and mini bonds.

\*\*For 1986 and prior years, transfers to the debt service fund, previously reported as expenditures, have been excluded.

COMMONWEALTH OF MASSACHUSETTSPER CAPITA LONG TERM DEBTLAST TEN FISCAL YEARS

(Amounts in thousands)

<u>Fiscal year ended</u> <u>June 30</u>	<u>Massachusetts</u> <u>population*</u>	<u>Total long</u> <u>term debt**</u>	<u>Per capita</u> <u>long term debt</u>
1989 - projected	5,863	\$5,300,455	\$0.904
1988	5,889	4,121,993	0.700
1987	5,855	3,825,968	0.653
1986	5,832	3,676,997	0.630
1985	5,819	3,424,647	0.589
1984	5,792	3,346,600	0.578
1983	5,762	3,181,610	0.552
1982	5,744	2,920,486	0.508
1981	5,753	2,812,483	0.489
1980	5,743	2,828,895	0.493

\*Population is calendar year based for 1986 and prior.

Source: U.S. Department of Commerce

\*\*Total long term debt does not include discount.

COMMONWEALTH OF MASSACHUSETTSMASSACHUSETTS AND U.S. POPULATION 1979-1988

(Amounts in thousands)

<u>Year</u>	<u>United States</u>	<u>Change</u>	<u>Massachusetts</u>	<u>Change</u>	<u>Massachusetts as % of U.S.</u>
1988	245,807	1.0%	5,889	0.6%	2.40%
1987	243,400	1.0	5,855	0.4	2.41
1986	241,078	1.0	5,832	0.2	2.42
1985	238,741	1.0	5,819	0.5	2.44
1984	236,477	0.9	5,792	0.5	2.45
1983	234,284	1.0	5,762	0.3	2.46
1982	231,996	1.0	5,744	(0.2 )	2.48
1981	229,637	1.0	5,753	0.2	2.51
1980	227,255	1.2	5,743	(0.1 )	2.53
1979	224,569	1.1	5,746	0.1	2.56

Source: U.S. Department of Commerce

COMMONWEALTH OF MASSACHUSETTS

NONAGRICULTURAL EMPLOYMENT BY INDUSTRY  
IN MASSACHUSETTS AND THE UNITED STATES FOR 1988

(Amounts in thousands)

<u>Type of industry</u>	<u>Mass.</u>	<u>% of Mass. total</u>	<u>U.S.</u>	<u>% of U.S. total</u>	<u>Mass. % vs. U.S.</u>
Manufacturing:	586	18.8	19,539	18.6	1.01
Durable goods	389	12.5	11,516	10.9	1.14
High Technology	236	7.6	NA	NA	NA
Nondurable goods	197	6.3	8,023	7.6	0.83
Nonmanufacturing:	2,531	81.2	85,769	81.4	1.00
Construction	143	4.6	5,293	5.0	0.91
Transportation	134	4.3	5,584	5.3	0.81
Trade	733	23.5	25,362	24.1	0.98
Wholesale	NA	NA	6,156	5.8	NA
Retail	NA	NA	19,206	18.2	NA
Financial services	225	7.2	6,679	6.3	1.14
Other services	891	28.6	25,464	24.2	1.18
Government	405	13.0	17,387	16.5	0.79
Federal	63	2.0	2,971	2.8	0.72
State and local	<u>342</u>	<u>11.0</u>	<u>14,416</u>	<u>13.7</u>	<u>0.80</u>
Totals for 1988	<u>3,117</u>	<u>100.0</u>	<u>105,308</u>	<u>100.0</u>	<u>1.00</u>

Sources: Massachusetts Department of Employment and Training  
U.S. Department of Commerce

NA: Not available



COMMONWEALTH OF MASSACHUSETTSTEN LARGEST INDUSTRIES  
BY NUMBER OF EMPLOYEES AS OF SEPTEMBER, 1989

<u>Industry</u>	<u>Number of employees</u>
Services	920,400
Wholesale and retail trade	736,700
Manufacturing: Durable goods	370,700
Finance, insurance and real estate	234,700
Local government	232,300
Manufacturing: Nondurable goods	192,400
Construction	141,400
Transportation	125,100
State government	102,500
Federal government	61,200

Source: Massachusetts Department of Employment and Training

COMMONWEALTH OF MASSACHUSETTS

ANNUAL AVERAGE CIVILIAN LABOR FORCE,  
UNEMPLOYMENT AND UNEMPLOYMENT RATES  
FOR MASSACHUSETTS AND THE U.S., 1980-1989

(Amounts in thousands)

Year	Massachusetts			United States			Massachusetts' rate as % of U.S. rate
	Labor force	Unemployment	Unemployment rate	Labor force	Unemployment	Unemployment rate	
1989*	3,172	124	3.9%	123,736	6,474	5.2%	75.0
1988	3,144	103	3.3	121,669	6,701	5.5	60.0
1987	3,086	99	3.2	119,865	7,425	6.2	51.6
1986	3,051	117	3.8	117,834	8,237	7.0	54.3
1985	3,050	120	3.9	115,461	8,312	7.2	54.2
1984	3,047	145	4.8	113,544	8,539	7.5	64.0
1983	2,977	205	6.9	111,550	10,717	9.6	71.9
1982	2,993	237	7.9	110,204	10,678	9.7	81.4
1981	2,947	187	6.3	108,670	8,273	7.6	82.9
1980	2,867	162	5.7	106,940	7,637	7.1	80.3

Sources: Massachusetts Department of Employment and Training  
U.S. Department of Labor, unpublished data

\*1989 figures are for the first 10 months of the calendar year, seasonally adjusted.

COMMONWEALTH OF MASSACHUSETTSTWENTY-FIVE LARGEST MASSACHUSETTS EMPLOYERS

A.T. & T. Technologies, Inc.  
Ames Corporation  
Bank of Boston  
Bank of New England  
Blue Cross Blue Shield of Massachusetts  
Boston University  
Digital Equipment Corporation  
Friendly Ice Cream Corporation  
General Electric Company  
Harvard University  
Jewel Company  
John Hancock Mutual Life Insurance Company  
Jordan Marsh Company  
Massachusetts General Hospital  
Massachusetts Institute of Technology  
New England Telephone & Telegraph Company  
Polaroid Corporation  
Raytheon Company  
Sears, Roebuck & Company  
Shaw's Supermarkets, Inc.  
State Street Bank & Trust Company  
The Stop & Shop Companies, Inc.  
Supermarket General Corporation  
United Parcel Service, Inc.  
Wang Laboratories, Inc.

Source: Massachusetts Department of Employment and Training









